HOW ADVISORS ARE USING ETF MODEL PORTFOLIOS TO HELP GROW AND SCALE THEIR PRACTICE

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This article is relevant to financial professionals interested in model portfolios. WisdomTree ETF model portfolios are only available to financial professionals through various portfolio platforms.

For financial advisors there often aren't enough hours in a day. Streamlining client portfolios and outsourcing some, or all of the portfolio construction to outside asset management firms could help give an advisor some hours of their day back. Those hours can add up and potentially provide more time to devote to engaging with existing clients or focusing on acquiring prospects.

Let's look at how some financial advisors are using model portfolios today, to help grow and scale their practice.

Advisors who have benefited from ETF model portfolios are typically:

1. Those focused on **growing** and **scaling** their business. Model portfolios can provide a consistent, defined investment process to use across all client accounts—hence scalability.
2. Those aimed at keeping up with **regulatory reforms** relating to a lack of defined investment process and the potential perils that could stem from such.[1]
3. Those motivated to combat continued **fee compression**. ETF model portfolios can help reduce overall fees for advisors' clients through the investments themselves or the economics of scalability and value-adds such as behavioral coaching.[2]

How Can ETF Model Portfolios Benefit Advisors and Their Practice?

The chart below uses a hypothetical example to contrast the possible experience of an advisor before and after utilizing ETF model portfolios.

How Can ETF Model Portfolios Benefit Advisors and Their Practice?

	Before ETF Model Portfolios	After ETF Model Portfolios
	+ Individual client portfolios that require ***unique rebalancing*** + ***Extensive time spent managing*** each client account + Creating ***individual reports*** for client reviews	+ Help **Simplify rebalancing** all client accounts + **Reduce time** on administrative tasks for each client's account + Help **Streamline** client reviews
	+ ***Different investment fees*** associated with every client's accounts + ***Higher expense ratios*** for mutual funds + ***Unique tax implications*** on each client's accounts	+ Potential for more **Consistent investment fees** for all client accounts + **Lower expense ratios** for ETFs allow you to reduce your clients' overall fees + **Tax efficiencies** when using ETF Model Portfolios
	+ ***Inconsistent investment process*** across client accounts + ***Differing client returns*** that share the same risk profile	+ **Defined, consistent investment process** across all client accounts + Help **Maintain consistency in client returns** who share the same risk profile

Sources: The Cerulli Report—U.S. Asset Allocation Model Portfolios 2018, WisdomTree

How Does WisdomTree Participate in this Trend?

WisdomTree, a pioneer in the industry as an Index developer and ETF sponsor, has constructed a suite of ETF model portfolios that best reflect WisdomTree's current asset allocation preferences and investment thesis.

Using a blend of both well-suited WisdomTree products and an open-architecture approach enables WisdomTree's Asset Allocation Committee to integrate best-of-breed ETFs into a holistic solution, incorporating both traditional "cap-weighted beta" ETFs and factor-tilted Modern Alpha™ exposures.

Are ETF Model Portfolios Right for Your Practice?

If you are a financial advisor, nobody knows your business better than you! There are many potential benefits to transitioning to an ETF models-based practice and we believe this trend will continue to develop.

Financial professionals can learn more about WisdomTree Modern Alpha™ ETF model portfolios here.

[1]There is no guarantee that adapting to a models-based practice will prevent or reduce any business or regulatory risk.

[2]ETFs can be less expensive than mutual funds but there is no guarantee. The economics of scalability is up to the execution of the individual firm, and value-adds such as behavioral coaching are subjective.

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Market capitalization-weighting : Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

Modern Alpha : Modern Alpha® combines the outperformance potential of active with the benefits of passive—to offer investor strategies that are built for performance.