

# VALUABLE LESSONS FROM MY TIME WORKING AT AN RIA

Ryan Krystopowicz — Director of Client Solutions

03/20/2023

I accepted a role at a mid-sized [RIA](#) as a research analyst in 2011. Over the next four years, I had a pleasant experience learning the fundamentals of stock picking through “bottom-up” analysis. I also got to see firsthand the growth of the RIA industry and my employer’s strategy to capitalize on it.

Reflecting on my experience, I deduced five ideas and concepts that would have been extremely valuable to know during my tenure—each of which is still relevant today.

## **1. Take advantage of the free tools and resources at your disposal, especially from asset managers’ websites.**

The democratization of research, performance attribution and fund due diligence is real. Tasks that previously required a Bloomberg Terminal to complete can now be gathered online for free.

From WisdomTree’s perspective, this includes open-architecture tools featuring our [Digital Portfolio Developer](#).

We built this tool to empower advisors to analyze their portfolio holdings of ETFs, mutual funds and stocks on demand. Additional features of this tool include stress tests, factor exposures, Monte Carlo simulations and white-labeled proposal generators for prospects.

## **2. Stock picking can be a giant waste of time.**

From a philosophical standpoint, most independent advisors should abandon stock picking. As I’ve [previously written, when it comes to stock picking, the odds of achieving success are low](#), it’s suboptimal and performance isn’t everything to clients.

From a firm-level standpoint, especially if trying to maximize the enterprise value, it’s a waste of resources to have a team solely focused on that.

As we’ve previously written in [Four Habits of Highly Successful Advisors](#), as opposed to building out an internal research team, RIAs that manage less than \$1 billion–\$2 billion in assets are better off driving scale, efficiency and profitability by outsourcing all or some of their portfolio management function.

## **3. Most people want help from financial advisors in areas beyond investments.**

This was the case in 2011 and is even more evident today.

A recent research study found that only a third of Americans work with a financial professional. Among those who aren’t working with an advisor, the biggest barrier they mentioned was the “perceived cost of advice.”<sup>1</sup>

Overcoming this barrier probably won’t be accomplished by picking stocks that outperform the [S&P 500](#).

Instead, focus on where the “unadvised” needs the most help. The same study notes that those without an advisor listed retirement income planning, advice on Social Security and Medicare and developing a financial plan as the most appealing topics to get advice on.

Providing guidance on taxes came in at number four for Americans, but it’s the most appealing topic for those considered “affluent.”

## **4. Clients perceive advisors using third-party model portfolios positively.**

As stock pickers, my previous RIA did everything in-house when it came to research and portfolio management. We believed it was the firm’s value proposition and what was expected of us by our clients and prospects.

We could not have been more wrong.

Clients embrace the use of third-party model portfolios because they represent the collective knowledge and resources of a global research team.

For example, State Street Global Advisors' study found that 88% of investors agree that two benefits of advisors using model portfolios are (1) "my portfolio is being constructed by asset managers with more knowledge of the markets" and (2) "my advisor can focus on what really matters to me."<sup>2</sup>

***5. Adopting a models-based practice can help mitigate risks from a compliance and regulatory perspective.***

Managing dozens of in-house model portfolios with dozens of positions...trading the models with the best execution... documentation around stock recommendations and client suitability...

These were just a few examples of important functions that absorbed a lot of our time and energy.

Luckily, adopting a third-party models-based practice can help, and advisors over the years have agreed.

WisdomTree's property research study found that 73% of advisors agreed that models could support regulatory requirements through the key pillars of having a strict process, investment guidelines and due diligence.<sup>3</sup>

Another State Street Global Advisors' study found that two-thirds of outsourcers agree that model portfolios mitigate risk in a heightened fiduciary landscape. The study points out how outsourcing can potentially support a structured portfolio management framework as well as lead to more consistency in applying suitability standards to client recommendations.<sup>4</sup>

My reflection is your opportunity.

Bringing this all together: advisors should consider the free resources at their disposal, avoid stock picking as their value proposition and focus on what really matters to individuals, keep an open mind toward utilizing third-party model portfolios and understand how models can potentially mitigate risk for your practice.

If you're an advisor interested in learning more, fill out the contact form below.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

**Related Blogs**

+ [A Model for Success: An RIA's Story about Leveraging Third-Party Model Portfolios](#)

View the online version of this article [here](#).

## **IMPORTANT INFORMATION**

**U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.**

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

## **DEFINITIONS**

**Registered Investment Advisor (RIA)** : A firm that advises clients on securities investments and may manage their investment portfolios. RIAs are registered with either the U.S. Securities and Exchange Commission (SEC) or state securities administrators.

**S&P 500 Index** : Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.