ATOMIC HABITS FOR GROWTH-ORIENTED ADVISORS

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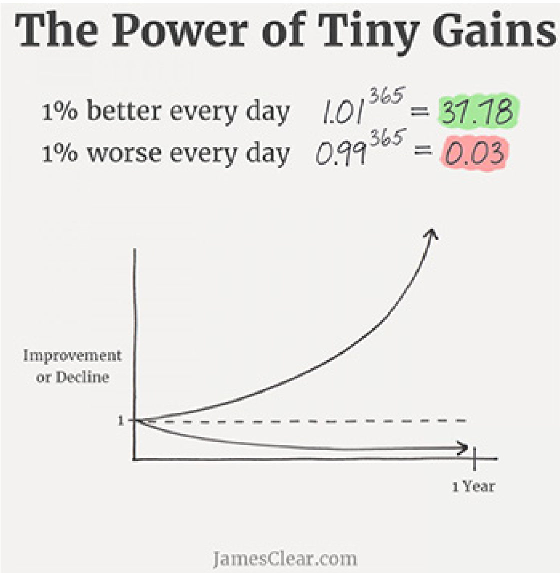
Want to learn how to change your habits and get 1% better every day?

Read James Clear's number one *New York Times* bestseller: *Atomic Habits*.

What is the significance of 1%?

> *"If you can get 1 percent better each day for one year, you'll end up thirty-seven times better by the time you're done."*[1]

The power of tiny gains is undeniable…



Fortunately for financial advisors, atomic habits can also be applied to growing and scaling their businesses. Three habits I will highlight are:

1. embracing technology
2. outsourcing functions of their practice
3. growing their network of experts

Embracing Technology

The amount of software built for the financial services industry can be overwhelming. But advisors should still strive to keep up with trends within their technology stack. In other words, embrace technology.

Why?

Fidelity did an RIA (Registered Investment Advisor) benchmarking study that compared advisory firms that embraced technology to those that did not. The study found that "technology embracers," when compared to their RIA peers, experienced:[2]

1. **Higher total revenues** ($4.4M for Embracers vs. $2.3M for others)

2. **Higher organic growth rates** (6.0% for Embracers vs. 4.8% for others)
3. **Higher three-year AUM CAGR** (2017–2019, includes organic and inorganic growth, 14.9% for Embracers vs. 12.7% for others)

These benefits all emphasize business growth—underscoring "embracing technology" as an atomic habit.

Outsourcing Functions of Their Practice

In a separate study, Fidelity reported a boost in key advisor metrics from firms that outsourced six or more functions of their practice versus firms that do not outsource. These metrics include:[3]

1. **Growth in the number of clients/households served** (82% of firms that outsource reported growth vs. 69% for firms that do not)
2. **Higher organic AUM growth** (9% for firms that outsource vs. 6% for firms that do not)
3. **Higher past year compensation** (the mean was $381,000 for Outsourcers vs. $359,000 for Insourcers)

These benefits also emphasize business growth. (Check out this blog post for insight on what functions of an advisor's practice are best suited to outsourcing.)

Outsourcing can mean different things to different people. I think of it as a spectrum.

On one side is 100% outsourcing of a business function. The goal is to give up all duties/responsibilities/time spent related to it. On the other side is partially outsourcing a business function to professionals. The goal is to leverage their expertise to achieve better outcomes.

This brings us to our third atomic habit for advisors…

Growing Their Network of Experts

Leveraging third-party model portfolios run by institutional-quality investment committees is a popular example of advisors growing their network of experts. This is because clients believe in leveraged expertise. WisdomTree's Model Portfolio study found that most investors (end-clients) equate a doctor conducting an assessment to an advisor understanding their financial needs and applying a third-party model portfolio.[4]

Despite this view, I've found that many advisors perceive third-party models as a dent to their overall value proposition as opposed to being an extension of the network of experts they utilize to better service clients.

Other surveys have come to a similar conclusion.

TD Ameritrade & FA Insight found that 71% of advisors believe their clients prefer in-house investment management; meanwhile, only 17% of advisory clients indicated they preferred their advisors to conduct in-house investment management.

In fact, more than half of the end-clients in the survey had no preference "as long as my investments are secure and performance is satisfactory."[5]

Investment management is just one area for advisors to consider utilizing outside expertise—thus expanding their network of professionals. The fact that, in the past five years, there was a 77% increase in the median number of services that advisory firms offered clients leads me to believe there are many other areas—such as estate planning, tax advisory, etc., to also consider.[6]

How can WisdomTree help advisors get started on these atomic habits?

WisdomTree recently introduced an exciting program for RIAs and independent advisory firms, WisdomTree Portfolio & Growth Solutions. This program was built to assist advisors in delivering customized portfolios and provide rebalancing and trading services and access to practice management expertise focused on business growth.

This program enables advisors to *embrace technology* and achieve better outcomes in managing investments, trading and rebalancing and operational workflow.

This program enables advisors to *outsource functions of their practice* and potentially regain time, save money and achieve higher client satisfaction.

This program also enables advisors to *grow their network of experts* by adding our Model Portfolio Investment Committee to their network. Plus, advisors can collaborate with this team on the development of the Model Portfolios, removing some negative connotations of "outsourcing."

As James Clear quotes in *Atomic Habits*: "All big things come from small beginnings. The seed of every habit is a single, tiny decision."

Make that decision to get started by referring to the contact form below.

[1] James Clear, Atomic Habits: An Easy & Proven Way to Build Good Habits & Break Bad Ones, 2021.

[2] The 2020 Fidelity RIA Benchmarking Study was conducted between March 10, 2020, and May 20, 2020; 188 firms participated.

[3] The 2021 Fidelity Financial Advisor Community—Outsourcing Survey. Advisor firm types included a mix of banks, IBDs, insurance, RBDs, RIAs and wirehouse firms.

[4] WisdomTree's Models Research Initiative maintained a +/-2.3% margin of error among consumer investors across generations and a +/-6.2% error rate among financial advisors.

[5] "Outsourcing: Striking the Right Balance Between Customization and Efficiency," FA Insight/TD Ameritrade Institutional Benchmarking, 2019.

[6] "Why Advisors are Considering Important Risks Related to this Article

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