

BILLION DOLLAR MINDSET: UNLOCKING TIME TO CREATE A FLYWHEEL FOR YOUR RIA

Ryan Krystowicz — Director of Client Solutions
06/30/2022

Reaching \$1 billion in [assets under management \(AUM\)](#) is an amazing accomplishment for a registered investment advisor (RIA).

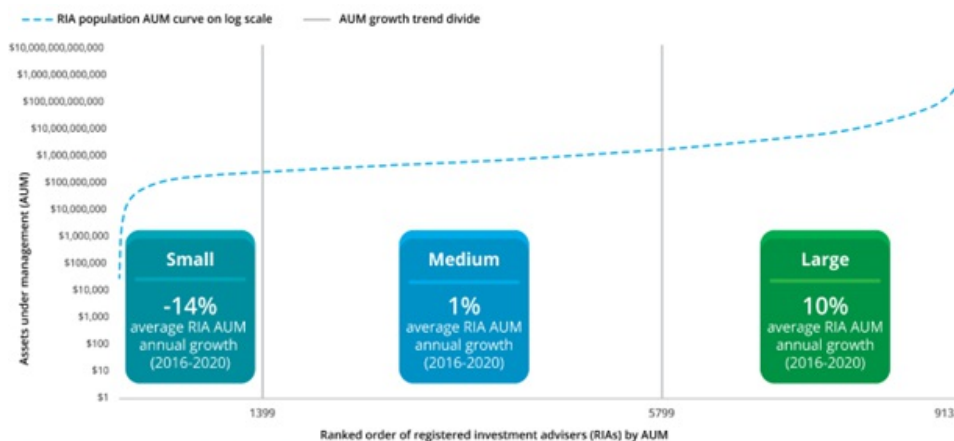
But it also creates a flywheel effect.

A recent study analyzed over 9,000 RIA firms that were active between 2016 and 2020. Using a log scale to identify the distribution of AUM within the population, three distinct groups were formed: “small” firms that are defined as having less than \$100 million in AUM, “medium” firms, defined as having between \$100 million and \$1 billion, and “large” firms, defined as having more than \$1 billion in AUM.

Two fascinating insights were uncovered about medium firms relative to large firms:

1. The average RIA in the medium group experienced a 1% [compound annual growth rate \(CAGR\)](#) in AUM from 2016 to 2020, versus an astonishing 10% CAGR for the large group.
2. AUM per employee (other than those performing only clerical, administrative or support functions) increased three times from small to medium groups, while the jump from medium to large was greater than 10 times.

The average AUM annual growth rate of the three segments of RIAs from 2016–2020 (Bullet Point #1)¹



Source: Deloitte Financial Services.

If there’s one conclusion that should be made from this image, it is that scale matters.

Scale creates a flywheel effect for RIAs that makes large firms grow faster, more efficient and potentially more profitable.

This leaves us with one important question: *how can financial advisors grow their AUM to unlock scale and efficiency?*

By wearing 20 different hats to keep their firm afloat? *No!*

By focusing on manual processes on an antiquated tech stack? *Definitely not!*

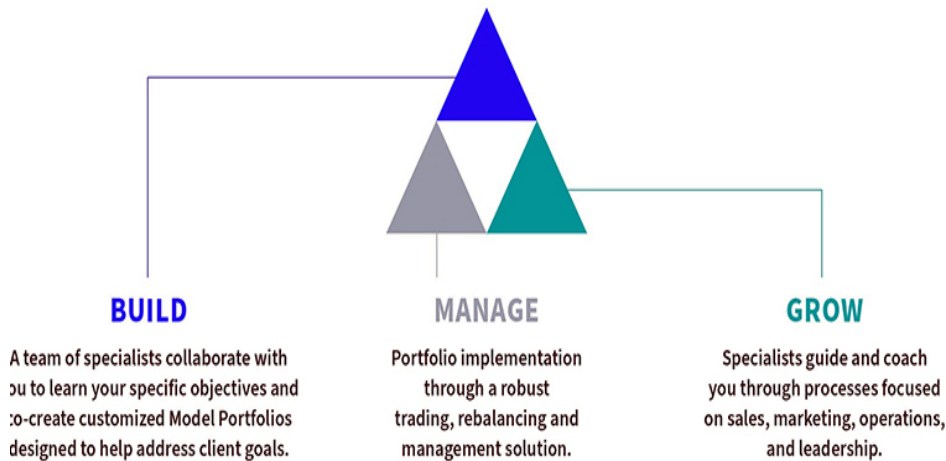
The answer lies in three words: **build, manage and grow.**

WisdomTree’s Portfolio and Growth Solutions are designed to unlock time, which can aide in creating a flywheel for an

advisor's practice. This program was built to [help advisors deliver customized portfolios to their clients and be more efficient](#).

Our [Portfolio and Growth Solutions](#) program is made up of three primary pillars:

1. **Build** through Portfolio Solutions: A team of specialists collaborate with each advisor to learn their specific objectives and create model portfolios designed to achieve the advisor's goals, which can, in turn, help advisors address their clients' goals.
2. **Manage** through Trading Solutions: WisdomTree, through an agreement with Adhesion Wealth, offers advisors rebalancing and trading services for their clients' model portfolios.
3. **Grow** through Advisor Solutions: We offer advisors access to a suite of growth solutions, including workshops, presentations and practice management, that can help you grow your practice.



Through this Build – Manage – Grow framework, independent advisors working at small- to medium-size RIAs can potentially unlock several benefits, including:

- Increased client satisfaction from the ability to offer customized, institutionally managed model portfolios. Most investors believe an advisor using a third-party model portfolio is “applying a more sophisticated approach to their asset allocation that is backed by extensive research and technology.”²
- Increased advisor satisfaction from removing some of their operational burdens and manual processes—such as trading and rebalancing. The same study found that 92% of advisors believe third-party model portfolios “improve the efficiency of my practice” and 89% said models “enable me to easily scale my business.”³
- More time spent focusing on strengthening existing client relations and prospecting. Advisory practices that dedicate 70%+ of their time to client service and asset gathering report 3.5 times the number of new clients and twice the asset growth relative to firms that do not.⁴

These benefits make progress towards levelling the playing field for small- to medium-sized RIAs when it comes to resources and support typically associated with large-sized RIAs.

And more importantly, WisdomTree's Portfolio and Growth Solutions program sets the foundation for those same firms to achieve the scale needed to reach that flywheel effect that large firms possess.

Are you a financial advisor interested in learning more?

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.

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)

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, Kara Marciscano, Jianing Wu, Brian Manby and Scott Welch 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

Assets-under-management : The total market value of the investments that a person or entity manages on behalf of clients.

Compound Annual Growth Rate (CAGR) : The mean annual growth rate of an investment over a specified period of time longer than one year.