THE INEVITABLE FUTURE FOR MOST FINANCIAL ADVISORS: "REP AS FINANCIAL MD"

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There is a very real possibility that in the coming decades, most advisors will be exclusively utilizing home-office or third-party model portfolios.

What does that mean?

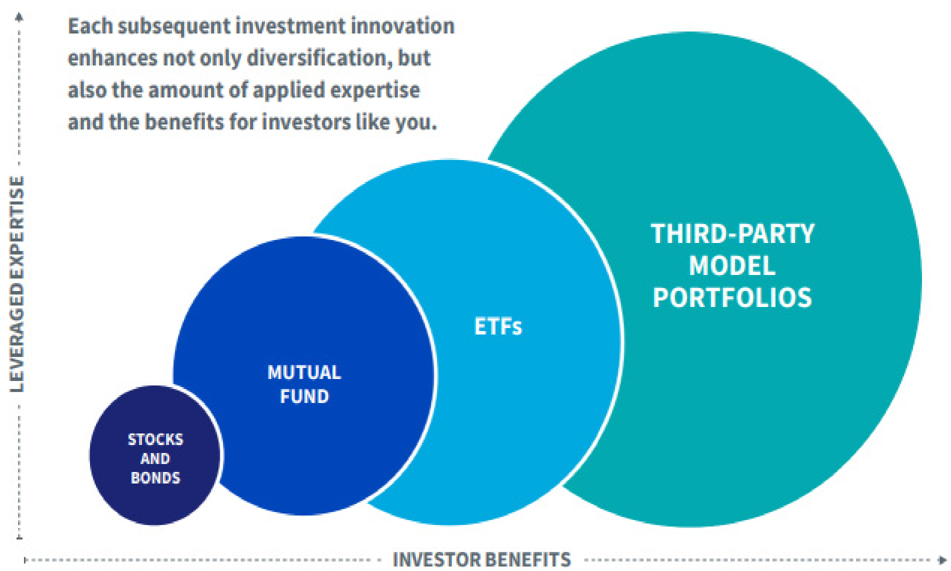
Most advisors will not promote themselves as the in-house investment professional as their sole value position to clients and prospects.

This will be a significant shift in mindset, but it is simply Darwinism.

It is a natural evolution of a financial advisor's value proposition that started with *curating investments and evolved into curating potential solutions.*

An oversimplified schematic illustrates this:

An evolved solution



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Michael Kitces highlighted a version of this evolution of financial advice on his *Financial Advisor Success* podcast:[1]

> *So as we look at this ongoing evolution of advisors from portfolio managers—I guess if I really go back to our roots as "financial advisors," it was stock pickers and stock managers, and then we went to mutual fund pickers and ETF pickers. Our curation of investments has evolved. Now we're maybe curating a wider range of solutions for clients in this advisor-as-curator model.*

Advisors with a curator mindset are leveraging professional resources, data and technology to holistically serve their clients in pursuing their financial goals. It's like a doctor leveraging their resources, case studies and access to AI networks that contain millions of medical records to help aid in making a diagnosis.

Hence the phrase "Financial MD."

Financial MD refers to advisors leveraging additional expertise and resources to potentially deliver better outcomes—the example is utilizing third-party model portfolios.

Why?

Clients may find comfort in knowing that third-party models provide potential benefits of the collective expertise of an asset management firm's analysts, strategists and PhDs. From their perspective, advisors using third-party model portfolios are combining valuable research and data with their intimate knowledge of the client's needs— a welcomed approach.

Two studies conducted on the perception of model portfolios make this case.

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."[2]

WisdomTree's own proprietary study found that most individual investors believe "financial advisors using third-party models are providing a more sophisticated asset allocation approach backed by the extensive research and technology of an asset manager's team."[3]

When you add it up, clients believe third-party models provide **additional expertise** that may help their portfolios.

This *additional expertise* is a key pillar within the advisor-as-curator mindset. It enables firms to offer a wider range of services to clients, such as financial planning, estate planning and trusts, retirement planning, strategic tax planning and insurance.

There will likely be a day when individual investors do not want their financial advisor picking all their investments on their own.

Want to become your client's "Financial MD"? Financial advisors should fill out the contact form below.

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Artificial intelligence : machine analysis and decision-making.