
FOUR HABITS OF HIGHLY SUCCESSFUL ADVISORS: PART FOUR

Scott Welch – Chief Investment Officer, Model Portfolios, Ryan Krystopowicz – Director of Client Solutions
12/06/2022

My colleague Ryan Krystopowicz and I recently co-wrote and posted to the WisdomTree website a white paper “think piece” entitled, [“Four Habits of Highly Successful Advisors.”](#)¹ We are now “serializing” that white paper into four blogs.

In [part 1](#), we discussed how to appropriately evaluate and build enterprise value by focusing on scale, efficiency and profitability. In [part 2](#), we focused on the importance of client segmentation and “niche” branding. In [part 3](#), we focused on the importance of optimizing fees and taxes—the two things any advisor has the most control over.

Here in this final segment, we focus on how the use of outsourcing can drive scale, efficiency and profitability in your practice by allowing you to deliver institutional-quality investment solutions and boutique-quality client service.

Habit Four: Active Adoption and Employment of Third-Party Model Portfolios

Many advisors believe one of their primary value propositions is the construction and management of client investment portfolios.

Nothing wrong with that. But many advisors are increasingly seeking to outsource some or all of that function to a qualified model manager—what the institutional world calls an “outsourced CIO.”

These advisors are choosing to focus their activities on their core competencies—niche branding and segmentation, financial and estate planning, family governance, business development and relationship management—and outsourcing at least some portion of the investment management function as a way of improving productivity, efficiency and (potentially) performance.

It comes down to partnering with outsourcing firms like WisdomTree to deliver institutional-quality investment solutions so the advisor can focus on delivering core competencies and boutique-quality value-added services.

Our own market research indicates that many advisors want to be involved in the portfolio management function for their clients, and view that capability as a primary value proposition. We don’t second-guess that perception, but we do point out that *end clients* are much more accepting of third-party models than many advisors believe.

Other industry surveys support this, and point out the potential benefits of outsourcing:

- Advisors using third-party model portfolios are realizing four times the asset growth and nine times the productivity growth of advisors who do not.² We are not seeking to replace a firm’s investment solution; we position ourselves as an extension of already in-house capabilities.
- Third-party model portfolios have grown in AUM to an excess of \$5 trillion, as more advisors realize the potential benefits of outsourcing.³

Focusing on the Left Side of the Decimal Point

In a highly volatile, potentially low-return market regime, advisors need to think

differently about what “adding value” means in constructing and managing investor portfolios.

We believe too many advisors spend too much time focusing on investment activities that potentially add value in basis points rather than “handles.” We refer to this phenomenon as “focusing on the right side of the decimal point.”

Advisors who are most successful in growing their practices spend far more time focusing on the “left side” of the decimal point—that is, on those activities that add the most value to investors’ financial lives. In terms of actual long-term value to a client portfolio, for example, we believe the “hierarchy of added value” might look something like this:

1. Estate planning
2. Asset allocation
3. Cost and tax management
4. Institutional-quality portfolio management

Summarizing our [“Four Habits of Highly Successful Advisors”](#) illustrates how advisors can incorporate this “hierarchy of added value, as well as address the specific trends and objectives of increasingly sophisticated investors:

1. To increase enterprise value, focus on scale, efficiency and profitability, not AUM or AUA
2. Segmentation and finding your niche
3. Optimizing taxes and active management fees
4. Active adoption and employment of third-party model portfolios

Of course, there are advisors who enjoy significant success without employing any of these ideas, or perhaps just a few of them. But, in our experience, advisors who do employ these best practices are enjoying faster growth, improved operational efficiency, enhanced client advocacy and increased profitability—and therefore increased enterprise value.

Not a bad outcome.

For those interested in learning about the rest of the habits, please check out the [other three blogs](#) in the series and make sure to read the entire white paper: [“Four Habits of Highly Successful Advisors.”](#)

For financial professionals interested in learning more about WisdomTree’s Portfolio & Growth Solutions program, click [here](#).

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, 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.