NEW YEAR, NEW CLIENTS—THREE TIPS TO CONVERT PROSPECTS

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This article is relevant to financial professionals who are considering offering Model Portfolios to their clients. If you are an individual investor interested in WisdomTree ETF Model Portfolios, please inquire with your financial professional. Not all financial professionals have access to these Model Portfolios.

Interested in hearing ideas for a New Year's resolution?

Didn't think so.

After all, I read that most resolutions don't last more than 32 days after New Year's.[1]

But while resolutions might be overrated, tips could be lucrative.

My goal is to give you three tips that you can use to give you a better shot at having your prospects reach out to you.

Before we get started, consider this…

WisdomTree conducted a rigorous research process that involved over 6,000 desirable prospects. The purpose was to understand the path your prospects take from needing a financial advisor to selecting and hiring one.

We discovered that 74% of prospects said that online information is "Extremely Influential" or "Very Influential" with regard to who they hire as a financial advisor.2

You might be thinking, *"Ryan this is great, but my growth is largely driven by referrals."*

That's great! But did you know that, on average, your prospects are getting almost three advisor names in referrals?

Once a prospect receives those referrals, most of the time they are going online to see who you are and whether they think you're a good fit to help them achieve their goals. That means you're in competition before you even have a conversation with prospects.

In fact, our research found that 46% of participants have eliminated an advisor entirely from consideration based on online information during the discovery/evaluation process.[2]

Your online presence is extremely important in both converting referrals to conversations AND showing up online when someone is looking for help.

Here are three tips that you should consider implementing to help attract and convert more prospects to conversations:

Tip 1: Improve your online presence

Have you ever had a client tell you they had a referral for you, but you didn't hear back? That's not a great feeling—but we can help.

Take a second and pull up your advisor or firm's web page. When the web page first loads, is it clear who you work with and how you help them? If not, that's one of the first things you can do to make an improvement.

Prospects are more likely to contact you if they see that you help people like them achieve their goals.

WisdomTree's Digital Presence Accelerator can help optimize your online foundation and gain more high-quality mentions from third-party sources. This can help improve how your prospects perceive working with you and help you get the call back.

Tip 2: Frame yourself as a "Financial MD"

In a separate research study, WisdomTree teamed up with an independent research firm to conduct an extensive study of the perceptions and adoption of third-party model portfolios.

Contrary to some myths within our industry, utilizing third-party model portfolios does not weaken an advisor's value proposition.

The study found that 86% of investors are not only open to, but actually welcome, third-party model usage in their portfolios. That 86% increased to 90% after the market crash of March last year—including an 83% acceptance rate from the "Baby Boomer" sub-population of investors. Why does this matter to your prospecting efforts?

Investors were far more likely to switch if they were aware that another advisor was using third-party models in their portfolios. The number of clients who would consider switching advisors rose from 38% to 58% if they knew another advisor was using model portfolios in their practice.

A key part of unlocking this advantage lies in the ability to effectively communicate the use of third-party model portfolios.

Here's an example of ineffective promotion to prospects: "I use third-party model portfolios to save time on investment administration."

Here's an example of effective promotion to prospects: "I use third-party model portfolios to provide you (the prospect) access to best-in-class asset managers that are hyper-focused on asset allocation. I understand your risk tolerance and financial goals and I use that information to select and apply the appropriate model portfolio option for you—like a doctor leveraging mountains of medical records and technology to assist in a diagnosis or successful treatment outcomes." Our study found that framing yourself as the Financial MD can really resonate with clients. Interested in digging deeper? Visit the Client Communications Toolset portion of WisdomTree's Model Adoption Center.

Tip #3: Promote tax-smart investment strategies for non-qualified accounts

What you earn is only as important as what you keep. The good news? Alpha can come in many different flavors.

For example, 55ip, a pioneer in automated tax technology, describes Tax Alpha as the "outperformance that an investor can achieve by taking advantage of all available tax-saving strategies, such as tax loss harvesting. Studies have shown that utilizing these techniques can deliver an average of 1.08% Tax Alpha per year."[3]

And that is just an average!

Last year, an opportune time for tax loss harvesting, advisors using the tax-smart investment engine on the 55ip platform generated 2.58% in tax savings on average.[4]

For a $100,000 account, that means almost $2,600 in annual tax savings.

Every basis point counts in this low interest rate environment. That magnitude of tax savings can differentiate you from a competitor in the eyes of prospects.

For advisors interested in learning more about 55ip and their collaboration with our ETF Model Portfolios, please visit our website for more information.

That's all the tips for now, but one last thing…

Keep up the great work!

Advisors play a critical, unreplaceable role in helping individual investors achieve their financial goals. We are appreciative for all the advisors that trust us as their Model Portfolio provider and come to us for ideas on how to grow their practice.

Give these tips some thought. After all, the impact could last much, much longer than a New Year's resolution!

[1] https://nypost.com/2020/01/28/the-average-american-abandons-their-new-years-resolution-by-this-date/

[2] Sources: WisdomTree, Wealth Management Research Study, August 2018

[3] An Empirical Evaluation of Tax-Loss Harvesting Alpha – Shomesh E. Chaudhuri, Terence C. Burnham, Andrew W. Lo: January 26, 2020. Evaluating the magnitude of this "tax alpha" using historical data from the Center for Research in Securities Prices monthly database for the 500 securities with the largest market capitalization from 1926–2018. Given long- and short-term capital gains tax rates of 15% and 35%, respectively, we find that a tax-loss harvesting strategy yields a tax alpha of 1.10% per year from 1926–2018. When constrained by the wash sale rule, the tax alpha decreases from 1.10% per year to 0.85% per year.

[4] 2.58% reflects the estimated average 2020 tax savings for clients using 55ip's tax-smart technology based on a composite of all accounts incepted by 12/31/19 that selected tax management services and were active for the full 2020 calendar year. The tax savings are gross of fees. The deduction of a fee reduces an investor's return and/or respective tax savings.

Calculation methodology: Average tax savings are calculated by comparing the client's actual account activity with a hypothetical shadow account created by 55ip. The hypothetical shadow account has the same inception date and is invested in the same model as the client's actual account, but does not incorporate 55ip's tax-smart technology for rebalancing. Gains and losses are accrued for both the client's actual account and hypothetical shadow account to produce the estimated tax bill. The tax rate applied to the client's actual account and the shadow account are provided by the client's advisor. If no tax rate is provided, then the highest applicable federal tax rate (20% for long-term gains/losses and 37% for short-term gains/losses) is assumed and an additional 3.8% net investment income tax rate is applied to both accounts. The estimated tax bill of the client's actual account is then compared to the estimated tax bill of the hypothetical shadow account, and the shortage of the former amount is the client's estimated tax savings. There is no guarantee that the estimated tax and subsequent projected tax savings will equal the actual tax liability/tax savings achieved by the client.

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DEFINITIONS

Alpha : Can be discussed as both risk-adjusted excess return relative to a specific benchmark, or absolute excess return relative to a benchmark. It is sometimes more generally referred to as excess returns in general.

Basis point : 1/100th of 1 percent.