Becoming Your Client's Financial MD: Implementing Third-Party Model Portfolios Successfully

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Key Takeaways

- Implementing third-party model portfolios requires selecting the right technology platform, segmenting clients for a phased transition and effectively communicating the benefits of expert portfolio management.
- Advisors can strengthen client relationships by positioning model portfolios as an upgrade, using specialist expertise to enhance investment outcomes while freeing up time for personalized financial planning.
- A well-executed transition to model portfolios allows advisors to scale their practice efficiently, improve client retention and provide long-term financial security through strategic wealth management.

This is post three of a three-part blog series on WisdomTree's white paper "Becoming Your Client's Financial MD."

In the first two posts of this series, we explored how advisors can embrace the Financial MD mindset and how third-party model portfolios can help enhance efficiency, retention and growth.

Now, let's focus on execution. How can advisors seamlessly integrate third-party models into their practice while maintaining strong client relationships and business growth? In this final post, we outline the key steps to successfully implementing this strategy.

Selecting the Right Platform and Investment Solutions

Step 1: Choose the Right Technology & Model Marketplace

The first step in incorporating third-party model portfolios is selecting the right technology platform. Advisors should evaluate:

- Model Marketplaces & TAMPs (Turnkey Asset Management Platforms) – These provide access to pre-built investment models from top asset managers, streamlining implementation.

- Trading & Rebalancing Tools – Ensure your platform supports automated trading, rebalancing and tax optimization features.
- Customization Capabilities – Investigate account-specific capabilities, such as servicing various account types, restricting specific securities, setting advisory fee schedules and managing account minimums.

Pro Tip: *Conduct platform demos before committing. The ideal solution should integrate seamlessly with your custodian and back-office systems to enhance, not complicate, operations.*

Step 2: Identify Which Clients to Transition First

Not all clients need to be moved to model portfolios at once. A phased approach ensures a smooth transition and minimizes disruption.

Segment Clients for Transition

- Smaller accounts – Start with clients who have lower AUM to free up time for higher-value relationships.
- Tax-exempt accounts – IRAs can be an ideal starting point since transitioning them won't trigger taxable events.
- Clients receptive to third-party expertise – Research shows that *Open Olivers* (younger, tech-savvy clients), *Safeguard Sallys* (hands-off investors) and *Merit Marys* (credential-focused clients) are most open to model portfolios.

Pro Tip: *Advisors who test this approach may find that once they transition a segment of their book, they gain confidence in the process and gradually expand the model-based approach across their entire practice.*

Step 3: Communicate the Transition Effectively

Clients may not immediately understand why their advisor is shifting investment management to a third-party model portfolio. The way advisors frame this transition is critical.

Key Messaging Strategies:

- **Reinforce the Value of Expert Management**

"Just like a doctor consults specialists for the best treatment, I am leveraging an institutional investment team to bring you institutional-caliber portfolio management."

- **Highlight the Increased Focus on Personalized Financial Planning**

"By utilizing research-backed models, I can spend more time helping you with wealth management strategies, tax planning and legacy planning—areas that impact your long-term financial success."

- **Position It as an Upgrade, Not a Loss of Control**

"Your investment strategy will now benefit from the combined expertise of a team of PhDs, CFA® Charterholders and market analysts who monitor market trends full-time."

Pro Tip: *Use analogies to simplify the message. Many clients already accept that doctors, attorneys and accountants collaborate with specialists—financial advisors should emphasize the same approach.*

Step 4: Maintain Engagement & Provide Ongoing Value

Transitioning to model portfolios doesn't mean disengaging from investment discussions. Instead, advisors should:

- Regularly share market insights and portfolio updates – Leverage white-labeled reports and commentaries from third-party model providers to keep clients informed.
- Host quarterly or annual review meetings – Use these as opportunities to discuss progress toward financial goals, not just investment performance.
- Strengthen financial planning services – Use the time saved from portfolio management to deepen discussions on tax strategies, estate planning and risk management.

Pro Tip: *Advisors may find that once they explain the shift and provide regular insights, clients appreciate the enhanced level of service and rarely question the decision.*

The Key Takeaway: Execution Is Key to Long-Term Success

By implementing third-party model portfolios, advisors can create a scalable, high-impact practice that prioritizes what clients truly value—personalized guidance, financial security and long-term wealth strategies.

Recap of the Financial MD Framework:

- **Post 1:** Advisors should embrace the Financial MD mindset by prioritizing client relationships and focusing on emotional and life-changing financial needs rather than portfolio construction.
- **Post 2:** Leveraging third-party model portfolios can help advisors improve efficiency, increase client retention and attract new business by demonstrating a research-driven, sophisticated investment approach.
- **Post 3:** A structured, client-centric approach helps to ensure a smooth transition and lasting success.

The financial advisory industry is evolving, and advisors who embrace this transformation will be well-positioned to scale their practice, build deeper relationships and provide exceptional value to their clients.

Ready to Take the Next Step?

If you're considering integrating model portfolios into your practice, WisdomTree's Portfolio & Growth Solutions team can help guide you through the process. Reach out today to learn more!

Download the full white paper to dive deeper into these insights, and stay tuned for the final part of this series!

Join a Portfolio Solutions Informational Session to learn more about WisdomTree's Portfolio Solutions program and how we're collaborating with advisors like you to build, manage and trade customized Model Portfolios and grow your practice. Click here to register.

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