Becoming Your Client's Financial MD: The Power of Third-Party Model Portfolios

Published March 17, 2025

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Key Takeaways

- Third-party model portfolios increase efficiency, saving advisors time while improving scalability.
- Clients trust advisors who use these models, seeing them as a sign of expertise and access to superior resources.
- Advisors who leverage third-party expertise attract more clients and strengthen retention, especially among millennial investors.

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

In the first post of this series, we explored how advisors can position themselves as Financial MDs, focusing on their clients' emotional and life-changing needs rather than spending excessive time on portfolio construction. Now, we turn to a powerful tool that enables this shift: third-party model portfolios.

By leveraging third-party expertise, advisors can streamline operations, enhance efficiency and unlock new growth opportunities—all while delivering a more sophisticated and scalable service to their clients.

The Efficiency Advantage: Doing More in Less Time

Time is one of the most valuable assets for financial advisors, yet many still spend a disproportionate amount of it on portfolio management and investment selection. Research shows that advisors who outsource investment management save more than eight hours per week, time that can be better allocated to client engagement, financial planning and business development.[1]

This shift doesn't just free up time—it improves service quality. According to WisdomTree's research:[2]

- 90% of advisors report that leveraging third-party model portfolios enhances efficiency.
- 88% believe it improves the quality of client service.

By adopting third-party model portfolios, advisors can create a repeatable and scalable process that allows them to serve more clients effectively—without sacrificing the personal touch that differentiates their practice.

Retention and Loyalty: Why Clients Value Third-Party Model Portfolios

Client retention is a growing challenge for advisors, with 38% of investors considering switching advisors at any given time.[3] However, WisdomTree's research shows that clients increasingly prefer advisors who use third-party model portfolios:[4]

- 58% of all investors (and 84% of millennials) say they are more likely to work with an advisor who integrates third-party model portfolios into their practice.
- Investors see these models as a sign of professionalism, expertise, and a research-driven approach to investing.

Why? Because clients prioritize outcomes over processes. Just as a doctor collaborates with specialists to ensure the best care, advisors who leverage third-party expertise can provide a higher level of service and a more robust investment strategy.

Growth: How Model Portfolios Attract New Clients

Beyond efficiency and retention, third-party model portfolios present a compelling value proposition for attracting new clients. Investors today seek advisors who offer sophisticated, research-driven solutions, and third-party models demonstrate a commitment to leveraging institutional-level expertise.

WisdomTree's psychographic segmentation study identified three key investor personas that advisors can target effectively:[5]

- **Merit Mary** values credentials and industry reputation, making them more likely to trust an advisor who partners with well-established asset managers.
- **Safeguard Sally** prioritizes security and stability, favoring advisors who incorporate third-party model portfolios known for their structured risk management.
- **Open Oliver**, a younger, tech-savvy investor, appreciates innovation, preferring advisors who embrace technology-driven investment strategies.

By understanding these distinct investor mindsets, advisors can tailor their messaging and service approach to resonate with potential clients. Emphasizing the expertise, risk management and enhanced client experience that third-party model portfolios provide can be a powerful differentiator in attracting and converting new clients.

In the next post, we'll explore how to implement third-party model portfolios successfully, including best practices for selecting the right platform, transitioning clients and communicating the value of this approach.

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.

[1] AssetMark 2019 Impact of Outsourcing Study.
[2] WisdomTree proprietary research: wisdomtree.com/investments/mac/client-research.
[3] Ibid.
[4] Ibid.
[5] Ibid.

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