Busting Model Portfolio Myths

Published August 10, 2020

Brad Shepard
Head of Advisor Innovation

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 direct access to these model portfolios.

Recently, we discussed some of the misperceptions advisors have about how clients perceive model portfolios. We talked about how clients actually welcome models, believe they bring additional expertise to their portfolios, and how they believe models will positively impact the performance of their portfolios.

But we thought it would also make sense to provide clarity not only on what advisors' clients think about models but also on what they think about their advisors. We spoke to investors in late 2019 and early 2020 and then again after the March 2020 pandemic-related volatility. Here's what we discovered.

Clients value their advisors

Investors see their advisors as critical to their success. They expect you to conduct extensive research with far more technical and in-depth information than investors themselves can access through Google.

- More than 90% of clients see their advisor as a critical part of their financial success
- 82% of investors prefer to get their financial advice through human interactions

Clients value your advice—especially since the recent volatility

Following the recent volatility, we found that clients place more value on the quality of the advice and education they get from their advisor and less on the idea of "customized" services:

- The number of clients who value the high-quality financial services provided by advisors increased by 30%
- The number of clients who felt it was important for an advisor to use technology to enhance investment decisions increased by 5% post-volatility
- The number of clients who felt it was important for an advisor to focus on goal-based portfolio planning increased by 5% post-volatility
- The number of clients who felt it was important for an advisor to help them understand investment and strategy recommendations increased by 10% post volatility
- The importance that clients placed on "customized" services decreased by about 7%

Clients—even boomers—are more likely to choose an advisor using models

An even more pressing need given today's competitive environment is the retention of current clients and the acquisition of new ones. Interestingly, our research found that investors were far more likely to switch if they were aware that another advisor was using third-party models in their portfolios.

- In fact, the research identified that the number of clients who would consider switching advisors rose from 38% to 58% if they knew another advisor was using models in their practice
- And this is not limited to millennials; though 84% of them would consider switching to a model-based advisor, an additional 20% of boomers would consider switching advisors under these circumstances as well

Clients view their advisor as the expert in the relationship, and they expect them to leverage technology, resources and third-party expertise to provide them with the best investment options. Third-party models can help advisors meet clients' expectations as well as positioning them as the quarterback of the relationship. We believe that bringing models into the conversation as a foundational resource can enhance advisor–client relationships and help drive business growth.

For more information on our model portfolios, please visit our website.

Important Risks Related to this Article

For financial professionals: In the event that you subscribe to receive a WisdomTree model portfolio, you will receive investment ideas from WisdomTree in the form of a model portfolio. The information is designed to be used by you solely as a resource, along with other potential sources you are considering, in providing advisory services to your clients. WisdomTree's model portfolios are not intended to constitute investment advice or investment recommendations from WisdomTree. WisdomTree is not responsible for determining the securities to be purchased, held and/or sold for your clients' accounts, nor is WisdomTree responsible for determining the suitability or appropriateness of a model portfolio or any securities included therein for any of your clients. WisdomTree does not have investment discretion and does not place trade orders for any of your clients' accounts. Information and other marketing materials provided to you by WisdomTree concerning a model portfolio—including holdings, performance and other characteristics—may not be indicative of your clients' actual experience from investing in one or more of the funds included in the model portfolio. The model portfolios, allocations and data are subject to change.

For end users: WisdomTree's model portfolios are not intended to constitute investment advice or investment recommendations from WisdomTree. Your investment advisor may or may not implement WisdomTree's model portfolios in your account. WisdomTree is not responsible for determining the suitability or appropriateness of a strategy based on WisdomTree's model portfolios. WisdomTree does not have investment discretion and does not place trade orders for your account. This material has been created by WisdomTree, and the information included herein has not been verified by your investment advisor and may differ from information provided by your investment advisor. The model portfolios, allocations and data are subject to change.

Investors and their advisors should consider the investment objectives, risks, charges and expenses of the funds included in any model portfolio carefully before investing. This and other information can be obtained in the fund's prospectus by visiting www.wisdomtree.com for WisdomTree Funds. Please read the prospectus carefully before you invest in a fund. WisdomTree Asset Management, Inc., does not endorse and is not responsible or liable for any content or other materials made available by other ETF sponsors.