Five Lessons for Advisors Using Model Portfolios

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Key Takeaways

- As financial advisors face increasing portfolio management complexities, model portfolios have emerged as a vital tool for scaling practices while enhancing client results.
- Research shows clients trust advisors more when they collaborate with third-party model providers, viewing them as “Financial MDs” delivering specialized, data-driven solutions.
- WisdomTree’s Portfolio Solutions platform offers personalized consultations, CIO-managed model portfolios and custom model solutions, enabling advisors to meet diverse client needs and future-proof their practices.

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Recently I was a guest on Advisorpedia’s *Power Your Advice* podcast, which was a fantastic opportunity to connect with the financial advisor community. In our conversation, we explored strategies for advisors to grow their practices, deliver greater client value and leverage tools like model portfolios—all while focusing on holistic client care. Here are five lessons from our discussion.

1.Embrace the Evolution: Model Portfolios Are Here to Stay

Early in my career, I worked as a stock picker at a registered investment advisor (RIA). While this provided valuable insights into individual investments, it highlighted a critical truth: managing portfolios through stock selection is often inefficient and suboptimal. Consistently outperforming a benchmark is a challenge even for seasoned professionals with robust resources.1

For most advisors, time spent on stock picking can be better allocated to high-value activities like financial planning and client engagement. The industry has recognized this, as the adoption of model portfolios continues to surge. By 2028, assets in model portfolios are projected to surpass $10 trillion.2 This evolution is about more than efficiency; it’s about delivering better client outcomes.

2.Clients Value Expertise, Not Control

A common misconception is that outsourcing portfolio management diminishes an advisor's value proposition. At WisdomTree, our research tells a different story. Most clients embrace third-party models, with 9 out of 10 finding it acceptable and 7 out of 10 believing it enhances portfolio performance.3

This trend reflects how clients view their advisors—as "Financial MDs" who diagnose and prescribe the best financial solutions, leveraging the expertise of specialists. Much like patients trust their doctor's informed recommendations, clients appreciate advisors who partner with model portfolio providers to deliver strategies backed by rigorous research and analysis.

3.Unlock Potential with WisdomTree's Portfolio Solutions Platform

With 300,000 financial advisors in the U.S., there's no one-size-fits-all approach to managing portfolios.4 Advisors need solutions as diverse as their clients and goals. That's why WisdomTree created the Portfolio Solutions platform—a customizable suite designed to empower your practice.

- **Portfolio Consultations:** Personalized portfolio reviews and tailored recommendations for advisors managing portfolios in-house.
- **CIO-Managed Model Portfolios:** Professionally managed portfolios, ideal for advisors seeking turnkey solutions backed by our dedicated Model Portfolio Investment Committee.
- **Custom Model Solutions:** Collaborate with WisdomTree to co-create portfolios, blending your insights with institutional-level expertise.

4.Enhance Client Relationships

Outsourcing portfolio management isn't just operationally transformative—it strengthens client relationships. Advisors using model portfolios report improved client retention, increased referrals and higher satisfaction.5 By focusing less on portfolio construction and more on client-facing activities, advisors can deepen connections and expand their reach.

With nearly 40% of clients open to switching advisors, the majority prefer working with those leveraging third-party models.6 This underscores an essential truth: embracing models isn't just efficient; it aligns with modern client expectations.

5.Build a Practice for the Future

The financial advisory profession is at a pivotal moment. Adopting tools like model portfolios isn't optional—it's crucial for advisors seeking to scale their practices, build client trust and stay competitive. At WisdomTree, our mission is to provide the resources and flexibility they need to thrive.

For the financial advisors reading this, where is your time best spent? Are you ready to embrace the tools shaping the future of financial advice? With the Portfolio Solutions platform, you can focus on what matters most—your clients and their financial well-being.

Listen to the full discussion below:

1 "Is Stock Picking Dead?", WisdomTree, 1/3/23, www.wisdomtree.com/investments/blog/2023/01/03/is-stock-picking-dead.
2 BlackRock projection.
3 WisdomTree Research Study 2020.
4 U.S. Bureau of Labor Statistics (BLS) data.
5 “Impact of Outsourcing” whitepaper by AssetMark.
6 WisdomTree Research Study 2020.

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