The Evolution of Portfolio Delivery

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Key Takeaways

- Outsourcing investment management can save advisors time, improve client satisfaction and reduce costs.
- WisdomTree offers multiple ways to support advisors, including providing expert guidance and resources for building portfolios or offering pre-set or custom Model Portfolios.
- Clients generally appreciate the broader financial planning and handholding provided by advisors, and advisors can emphasize that they are working with top firms to build well-diversified portfolios aligned with client goals.

Trends in Advisor Portfolio Delivery

In today's investing landscape, we're seeing financial advisors navigate several key trends in how they deliver portfolios to their clients. One major decision they face is whether to outsource or use a third-party manager for their investment process and the portfolios they offer to their clients.

We know that many advisors initially hesitate to make these changes because they want to stay deeply involved in the investment process. However, the evolving market landscape makes it tough to manage everything independently. As a result, more advisors are realizing that they can't do it all and are increasingly open to outsourcing parts or all of their investment processes. This is where WisdomTree can support you in your practice.

Benefits of Outsourcing

While there are many benefits of outsourcing, here are a few that really stand out to us:

•**Time savings**: Advisors often struggle with rebalancing portfolios and conducting thorough research to make informed investment decisions. Research has shown that advisors who outsource at least 90% of their assets save an average of 8.4 hours per week on investment management.[1]

• **Better client satisfaction:** Over 80% of advisors reported both stronger client relationships and increased client retention as a direct result of outsourcing; 67% of all advisors increased the number of

client referrals.[2] Leveraging specialized expertise from third-party managers allows advisors to focus more on value-added tasks, deepening their understanding of their clients and building stronger relationships.

• **Reduced costs:** The ability to leverage and implement model portfolios that employ a consistent investment process across all client accounts helps save on operational costs. More than 50% of advisors who are currently outsourcing their investment management have reported a decrease in operating costs since they began outsourcing, with 40% seeing declines in costs of 5% or more.[3]

WisdomTree's Approach to Advisor Support

We're working with many advisors who have decided to leverage third-party asset management expertise in their investment processes. We offer multiple ways to help with portfolios, all based on the advisor's preferences. The two main ways are:

1. For advisors who prefer to build their own portfolios: We provide expert guidance and resources to help evolve portfolios to achieve specific client goals.

2. For advisors who want to hand over the investment process: We offer the ability to tap into our Model Portfolio Investment Team by using a pre-set Model Portfolio or co-creating a custom portfolio tailored to their specific needs.

The Value of Outsourcing to Clients

Advisors tend to worry that clients might feel disconnected if they use a third-party manager for portfolio construction. However, our research shows that clients generally don't mind. They actually appreciate the broader financial planning and handholding that their advisors provide.

What's most important is that advisors emphasize that they're working with top firms to build well-diversified portfolios aimed at long-term success. Their role in communicating how clients' investments align with their goals remains essential and does not change when using a third-party manager. In fact, they will have more bandwidth to do so with a larger client base.

At WisdomTree, we offer the ability to white label end-client collateral, including factsheets and commentaries, to simplify and enhance the client communication and education needed to help advisors succeed.

The Role of Technology in Implementing across Client Accounts

Technology plays a significant role in the implementation of third-party model portfolios across client accounts. For advisors at large wirehouses, integrating models into their practice is straightforward due to robust tech platforms. However, for RIAs and independents, finding the right tech stack is essential to maintain efficiency.

At WisdomTree, we ensure our Model Portfolios are easily accessible through platforms that allow for seamless integration and updates. This helps minimize the manual effort required from advisors, allowing them to focus on client relationships and strategic planning.

Conclusion

The trend toward outsourcing and using model portfolios is driven by the need for efficiency, expertise and customization. By leveraging third-party asset manager expertise, advisors can provide better service to their clients, save time and money, and stay ahead in a complex and dynamic market environment.

Advisors, WisdomTree can help you better communicate with your clients about your value, their investments and what's going on in the markets. Fill out the form below if you are interested in learning more about our Portfolio Solutions Program.

1 "Impact of Outsourcing" Whitepaper by AssetMark and © 2020 BlackRock, Inc. All rights reserved. Quoting: Cerulli Associates, "U.S. Advisor Metrics 2018: Combatting Fee and Margin Pressure." Time savings estimation assumes 20% time savings x a 45-hour work week x 50 weeks per year = 450 hours saved.

[2] The Impact of Outsourcing Study was conducted in partnership with 8 Acre Perspective, an independent research firm, and represents the second installment of original research conducted by AssetMark in 2019. 757 financial advisors participated in the study, completing an online survey between September and October 2021.

[3] Impact of Outsourcing Study by AssetMark

Important Risks Related to this Article

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