

Welcome to the Future of Investing: Model Portfolios Designed by WisdomTree and Powered by 55ip

Published February 5, 2021

Ryan Krystopowicz, CFA

Head of RIA Portfolio Solutions Distribution & Specialists

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 access to these Model Portfolios.

There has never been a better time to be an investor. With very low investment minimums, ordinary investors can access sophisticated asset allocation Model Portfolios that were once reserved for only the largest institutions.

But too often, the concern over capital gains can hold investors back from accessing these exciting investments. And that's exactly why WisdomTree collaborated with 55ip—to provide financial advisors with a playbook for reaching an optimum portfolio that will help their client minimize or defer taxes during the transition—and drive better after-tax outcomes along the journey through systematic, ongoing tax-loss harvesting.

What is 55ip?

55ip was founded by a team of leading academics, researchers and technologists with the mission of improving financial outcomes for everyone. At the heart of 55ip's value proposition is its ActiveTax Technology®, which includes tax-smart transitions, investment management and withdrawals—enabling advisors to deliver differentiated value throughout the client journey. This tax management technology provides investors and advisors with access to modern investment science previously reserved for institutions.

How does the collaboration between WisdomTree and 55ip work?

Together, WisdomTree and 55ip seek to help advisors transition end clients into ETF Model Portfolios and demonstrate added value at every step. We do this by starting with the end in mind, providing a personalized plan of attack and then tracking progress along the way.

- **Starting with the End in Mind:** WisdomTree offers Modern Alpha® ETF Model Portfolios to advisors that fulfill a wide variety of client investment objectives and risk tolerances. We help advisors with due diligence on these portfolios so they can match clients to portfolios that best meet their needs.

- **Providing a Personalized Plan of Attack:** Once a model is selected, 55ip helps advisors create a personalized road map for transitioning into the optimal portfolio that illustrates approximate tax bills and transition costs.
- **Tracking Progress Along the Way:** 55ip's platform allows advisors to showcase the tax savings accomplished by their end clients and illustrates the progress made along the journey through quarterly reports.

Advisors and their clients benefit from the blending of technology with investment intelligence.

Advisors get the efficiency and institutional quality of outsourcing while retaining control of decisions that add tremendous value to their clients, such as investment costs, taxes and risk. Clients get tax-smart, tailored, institutionally managed Model Portfolios that drive better investor outcomes. With WisdomTree and 55ip, transitioning to Model Portfolios is easy for advisors and impactful for their clients.

Just how impactful is it?

2020 was a difficult year for many reasons—one of which was market volatility. The upside to [market volatility is that it can create opportunities](#) for tax loss harvesting. Using real accounts on 55ip's state-of-the-art technology platform, the average tax savings (or "tax alpha") per account was 2.41%, which translated to more than \$13,600 during the first half of 2020.¹ As 55ip's Dennis Follmer eloquently put it, "Tax-smart management is an opportunity to show proactivity and build confidence among clients that there's an actionable silver lining to market volatility."²

Putting it into a practice management perspective, generating "tax alpha" for end clients has the potential to offset or mitigate the advisor's advisory fee—that is real money back into the end client's account. That is the definition of added value and a differentiated end client experience.

How do financial advisors get started?

Getting started is easy. Visit [55ip's site](#) to create an account, sign 55ip's sub-advisory agreement via DocuSign and engage with 55ip's Advisor Success Team to seamlessly connect your account holdings data through their user-friendly platform.

The future is here—are you ready?

Outsourcing to third-party Model Portfolios is one of the most transformational trends in wealth management today. For many advisors, the question of migrating to a third-party model is not why but how. Our collaboration with 55ip helps minimize the tax impact of moving clients from their existing portfolios into WisdomTree models, so advisors can get back to focusing on their clients' goals and adding value without worrying about their tax bill.

¹Source: 55ip. Average tax savings is year-to-date in client's accounts as a percent of average account balance as of June 30, 2020. Estimated tax savings is the estimated after-tax dollar value added to the client account portfolio due to 55ip's proprietary tax loss harvesting. Estimated tax savings is calculated by estimating the current tax bill for client portfolios, based on year-to-date realized gains and losses, and

subtracting the estimated tax bill for a similar account with the same model without active tax management.

²Dennis Follmer, "The Election, Volatility, and Why Advisors Should Consider Tax-Smart Investment Strategies Now," 55ip, 10/30/20. www.55-ip.com/the-election-volatility-and-why-advisors-should-consider-tax-smart-investment-strategies-now/

³Dennis Follmer, "Building a Successful Model-Based Practice," 55ip, 8/6/20. www.55-ip.com/building-a-successful-model-based-practice/

Important Risks Related to this Article

WisdomTree Model Portfolio information is designed to be used by financial advisors solely as an educational resource, along with other potential resources advisors may consider, in providing services to their end clients. WisdomTree's Model Portfolios and related content are for information only and are not intended to provide, and should not be relied on for, tax, legal, accounting, investment or financial planning advice by WisdomTree, nor should any WisdomTree Model Portfolio information be considered or relied upon as investment advice or as a recommendation from WisdomTree, including regarding the use or suitability of any WisdomTree Model Portfolio, any particular security or any particular strategy. In providing WisdomTree Model Portfolio information, WisdomTree is not acting and has not agreed to act in an investment advisory, fiduciary or quasi-fiduciary capacity to any advisor or end client, and has no responsibility in connection therewith, and is not providing individualized investment advice to any advisor or end client, including based on or tailored to the circumstance of any advisor or end client. The Model Portfolio information is provided "as is," without warranty of any kind, express or implied. WisdomTree is not responsible for determining the securities to be purchased, held and/or sold for any advisor or end client accounts, nor is WisdomTree responsible for determining the suitability or appropriateness of a Model Portfolio or any securities included therein for any third party, including end clients. Advisors are solely responsible for making investment recommendations and/or decisions with respect to an end client, and should consider the end client's individual financial circumstances, investment time frame, risk tolerance level and investment goals in determining the appropriateness of a particular investment or strategy, without input from WisdomTree. WisdomTree does not have investment discretion and does not place trade orders for any end client accounts. Information and other marketing materials provided to you by WisdomTree concerning a Model Portfolio—including allocations, performance and other characteristics—may not be indicative of an end client's actual experience from investing in one or more of the funds included in a Model Portfolio. Using an asset allocation strategy does not ensure a profit or protect against loss, and diversification does not eliminate the risk of experiencing investment losses. There is no assurance that investing in accordance with a Model Portfolio's allocations will provide positive performance over any period. Any content or information included in or related to a WisdomTree Model Portfolio, including descriptions, allocations, data, fund details and disclosures, are subject to change and may not be altered by an advisor or other third party in any way.

WisdomTree primarily uses WisdomTree Funds in the Model Portfolios unless there is no WisdomTree Fund that is consistent with the desired asset allocation or Model Portfolio strategy. As a result, WisdomTree Model Portfolios are expected to include a substantial portion of WisdomTree Funds notwithstanding that there may be a similar fund with a higher rating, lower fees and expenses, or substantially better performance. Additionally, WisdomTree and its affiliates will indirectly benefit from investments made based on the Model Portfolios through fees paid by the WisdomTree Funds to WisdomTree and its affiliates for advisory, administrative and other services.

Neither WisdomTree Investments, Inc., nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax advice. All references to tax matters or information provided in this material are for illustrative

purposes only and should not be considered tax advice and cannot be used for the purpose of avoiding tax penalties. Investors seeking tax advice should consult an independent tax advisor.

There is an overlay fee when using a WisdomTree Model Portfolio in connection with 55ip's technology, and WisdomTree is paying a portion of that fee to 55ip, which advisors would otherwise be required to pay. There is no assurance that such payments by WisdomTree will continue. Additional fees, including underlying fees to implement trading in transitioning a portfolio, may apply.

WisdomTree and 55ip are not affiliated. WisdomTree has not reviewed or otherwise provided any content on 55ip's website or for other materials created by 55ip other than information about WisdomTree, and makes no representations, warranties or endorsements regarding such content or 55ip (including 55ip's tax management technology) and disclaims any responsibility associated therewith.