

What Clients Really Think About Model Portfolios

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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.

The number of third-party asset allocation models has grown exponentially over the last five years. But, although they're available through a number of different sources, including strategists, asset managers and advisor home offices, it turns out that very few advisors are using them. At WisdomTree, we wanted to understand why.

To find out, we conducted extensive research into model portfolio perceptions and adoption. What we found was quite surprising—and, we think, a major missed opportunity for advisors. The variances between what advisors believe and the reality were quite astounding.

Advisors have misperceptions about how clients perceive models

Our research uncovered that many advisors associate investment management with their core value proposition. These advisors either do not believe in outsourcing this role or do not want to do so out of concern that it may damage their advisor–client relationships. Their perception is that they are expected to make all the investment calls to build portfolios tailored for their clients.

However, we found this wasn't true from their clients' perspectives.

First—clients welcome models

While many investors are unaware of model use, nearly half of those who responded believe their advisor may already be using a model anyway. And the majority of clients are open to this. In fact:

- 86% of clients are not only open to, but actually welcome, model usage in their portfolios
- And, following the recent volatility, that number increased to 90%— including 83% of Boomers

Second—clients (yes, Boomers too) believe models provide additional expertise that will help their portfolios

The truth is that clients actually find comfort in believing they will receive the benefit of the collective expertise of an asset management firm's analysts, strategists and PhDs. And in clients' minds, when

advisors employ a third-party model, they are combining this valuable research and data with their intimate knowledge of their clients' needs to provide a tailored solution to their clients' unique situations and goals.

- In fact, more than half of investors—63%—believe that financial advisors using third-party models are providing a more sophisticated asset allocation approach backed by the extensive research and technology of an asset manager's team—this includes 64% of Boomers
- 63% of clients with advisors—and 59% of those without—strongly agree that, “A financial advisor using a preset investment model portfolio provided by either their firm or a third-party source is comparable to a doctor that has access to artificial intelligence (AI) networks that contain millions of medical records and case studies to assist in diagnosis or successful treatment outcomes.”

Third—clients believe models will positively affect their portfolio performance

Our research revealed that 64% of clients believe the most important characteristic an advisor can have is to act in their clients' best interests. And for many of them, that may mean using models.

- 63% of investors (47% of Boomers, 61% of Gen Xers and 78% of Millennials) believe that using models will have a positive impact on their overall portfolio.
- In fact, we spoke to clients after the recent market volatility and discovered that 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 bottom line is that clients like the idea of third-party models and using them may help advisors meet their clients' expectations.

In an upcoming blog, we'll discuss how clients view their advisors and how the use of models can affect their ability to retain existing clients and win new ones.

For more information on our model portfolios, please visit our [website](#).

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