Why Millennial Advisors Are Built for Models

Published January 7, 2026

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Key Takeaways

- With advisor capacity strained and advised relationships projected to surge by 30% by 2034, model portfolios offer millennial advisors a scalable system to meet growing client demands.
- Rather than diminishing value, third-party model portfolios build trust, as 84% of millennials prefer advisors who use them and value the extra time for personalized planning.
- Millennials are ETF-native—so ETF model portfolios are a natural foundation for serving them at scale, with the flexibility to layer in tax-aware personalization (including SMAs/direct indexing) when it truly adds value.

There's a simple reality I see in conversations with financial advisors across the country: the advisory business is becoming a capacity game.

Demand for advice is rising faster than advisor bandwidth. McKinsey & Co. projects the number of advised relationships could grow to 67–71 million by 2034, up from about 53 million in 20241. At the same time, the advisor workforce has grown at only about 0.3% per year over the last decade2.

If you're a millennial advisor (or simply building a modern practice), this is the opportunity, and the challenge. The firms that win won't just be "better investors." They'll be better operators. That's why I've come to believe model portfolios are becoming the operating system for serving the next generation at scale. Over my 14 years in this industry, I've watched the conversation shift from "Should we use models?" to "How do we build our firm's client experience around them?"

Models Aren’t a Trend Anymore, They’re Infrastructure

Model portfolios have moved well beyond "something a few advisors are experimenting with." Broadridge estimates $7.7 trillion were held in model portfolios industry-wide in Q1 2025, with assets projected to grow 15% annually to $13.2 trillion by 20293.

And the building blocks matter: ETFs account for 54% of model assets, up from 51% a year earlier4. In other words, the market is increasingly voting for a combination that makes a lot of sense for modern practices: ETF implementation delivered through scalable model architecture.

That's a big deal for younger advisors because you're not just adopting a portfolio solution, you're adopting a repeatable process.

Why Millennial Advisors “Fit” Models (And Why It’s Not About Giving Up Value)

Millennial advisors tend to be builders. Many are working in leaner environments, wearing multiple hats, and trying to grow without sacrificing client experience. Models help because they remove a chunk of the work that's hardest to scale: day-to-day portfolio construction, trading, and rebalancing across dozens, if not hundreds, of households.

Cerulli put numbers around this tradeoff: advisors who outsource portfolio construction spend only 10.6% of their time on investment management5. Compare that to a practice where the advisor is the "portfolio engine" and you can see the point: the real constraint isn't intelligence, it's time.

This is the part that matters for your business: when you spend less time being the investment committee, you can spend more time doing the things clients actually feel, planning conversations, proactive outreach, coaching behavior, business development, and building a differentiated client experience.

And that shift has become more important in the post-2020 market environment. When volatility hits, clients don't just measure outcomes, they measure the quality of your process, your communication, and how quickly you can show up with answers.

Millennial Investors Are a Proof Point: Models Can Increase Trust

The common fear I still hear is: "If I use models, do I look less valuable?"

Our research suggests the opposite. WisdomTree's third-party model portfolio study found that 90% of consumers welcomed the use of model portfolios following the March 2020 volatility6. Four in ten investors (40%) also said third-party models would give their advisor more time for them, and that rises to 45% among millennials7.

Another data point I find hard to ignore: at any given time, 38% of clients are considering switching advisors. When thinking about where clients might turn if they choose to leave, 58% of all investors, and 84% of millennials, prefer advisors who leverage third-party model portfolios8.

Stepping back, the takeaway isn't "models are a retention hack." It's that many investors, especially younger ones, don't want a one-person band. I think of it like this: they want a trusted general practitioner, their "Financial MD", who knows them deeply, sets the plan, and pulls in specialists where it improves the outcome.

Our Study reinforces that theme: 81% of investors report higher trust when advisors leverage external specialists. And in that same research, a majority of investors say they prefer advisors who use third-party model portfolios, with that preference even stronger among millennials9.

ETF Models First: Millennials Already Invest This Way

This is where the advisor and investor story converges. Millennials aren't just open to ETFs, they're often native to them.

Schwab Asset Management's 2025 "ETFs and Beyond" study found millennial ETF investors currently hold **30%** of their portfolios in ETFs (vs. **26%** Gen X and **21%** Boomers), and they expect that to rise to **36%** within five years. *(Source: Schwab Asset Management, ETFs and Beyond Study 2025.)*

They also show stronger momentum:

- **32%** of millennial ETF investors plan to **significantly increase** ETF investments in the next year (vs. 20% Gen X, 6% Boomers). *(Schwab, 2025.)*
- **66%** would consider placing their entire investment portfolio (excluding cash) in ETFs (vs. 42% Gen X, 15% Boomers). *(Schwab, 2025.)*

This is why I like emphasizing ETF models as the starting point. You're meeting younger investors where they already are, while giving your practice a scalable way to deliver consistent implementation.

Where Personalization Fits: SMAs and Direct Indexing

Starting with ETF models doesn't mean every client gets the same thing forever. In fact, the best operating systems are built to evolve.

Schwab's study highlights why personalization is increasingly part of the conversation:

- Among ETF investors, **62%** say the ability to customize investments is extremely important and **61%** prioritize tax optimization. *(Schwab, 2025.)*
- **91%** of ETF investors are familiar with direct indexing and **77%** are interested in learning more. *(Schwab, 2025.)*
- **30%** say they're very likely to invest in direct indexing in the next 12 months (plus **42%** somewhat likely). *(Schwab, 2025.)*

This is exactly how I think about the "model ladder" in a growing practice:

1. Core ETF models for most households (scalable, repeatable, easy to communicate)
2. Tax-aware implementation overlays as complexity increases *(same model, smarter execution)*
3. SMA / direct indexing sleeves when personalization and tax management become more valuable than simplicity

That progression is why models that incorporate SMAs and direct indexing are gaining traction, because they let you preserve a consistent operating model while selectively upgrading personalization where it truly matters.

Where WisdomTree Fits

If you're building a millennial-led (or millennial-ready) practice, I'd encourage you to think less about "Should I use models?" and more about "What's my operating system for delivering advice at scale?"

That's the lens behind WisdomTree's model portfolios: institutional portfolio management support that frees you up to focus on advice, not administration.

And when greater personalization or tax-aware implementation makes sense, we can help you explore SMAs through Quorus as an extension of that same model-based framework, aimed at delivering personalization without breaking your process.

If you're evaluating third-party models today, or thinking about how to pair ETF models with SMA capabilities, I'm happy to compare notes and share what we're seeing across the advisor landscape.

1 McKinsey & Company, *"The Looming Advisor Shortage in U.S. Wealth Management,"* https://www.mckinsey.com/industries/financial-services/our-insights/the-looming-advisor-shortage-in-us-wealth-management. Report identified via *WealthManagement.com*, *"McKinsey Estimates Advisor Shortage of 100,000 by 2034,"* https://www.wealthmanagement.com/wealth-management-industry-trends/mckinsey-estimates-advisor-shortage-of-100-000-by-2034, and also referenced in J.P. Morgan Asset Management, *"Model Portfolios—Going Digital, Getting Personal and Gaining Scale."*

2 Ibid.

Broadridge Financial Solutions, *"Model Portfolio Trend" report (First Quarter 2025)*, referenced in Elaine Misonzhnik, *"RIAs See Over 5% Jump in Model Portfolio Assets in the First Quarter," WealthManagement.com*, https://www.wealthmanagement.com/investing-strategies/rias-see-over-5-jump-in-model-portfolio-assets-in-the-first-quarter.

3 Ibid.

4 **Cerulli Associates**, *"Advisors Leverage Model Portfolios to Move Upmarket,"* press release, Nov. 24, 2025, citing *Cerulli Edge*, https://www.cerulli.com/press-releases/advisors-leverage-model-portfolios-to-move-upmarket. Report identified via Sabiq Shahidullah, *"Generational Shift: Young Advisors' Taste for Models Create New Opportunities for Managers," FundFire*, https://www.fundfire.com/c/5047494/705674/generational_shift_young_advisors_taste_models_create_opportunities_managers.

5 *Source: WisdomTree's Models Research Initiative. Interviews conducted 10/16/19–7/21/20. WisdomTree's Models Research Initiative maintained a +/- 2.3% margin of error among consumer investors across generations and a +/- 6.2% error rate among financial advisors. A mixed methodology was applied that included a robust base of more than 2,000 constituents in the models' value chain, as well as dozens of in-depth interviews that were conducted on the topic*. https://www.wisdomtree.com/investments/-/media/us-media-files/documents/secure-resource-library/mac/wisdomtree_model_adoption_research_whitepaper.pdf

6 Ibid.

7 Ibid.

8 Ibid.

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