BUSTING MODEL PORTFOLIO MYTHS

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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.

Recently, we discussed some of the misperceptions advisors have about how clients perceive model portfolios. We talked about how clients actually welcome models, believe they bring additional expertise to their portfolios, and how they believe models will positively impact the performance of their portfolios.

But we thought it would also make sense to provide clarity not only on what advisors' clients think about models but also on what they think about their advisors. We spoke to investors in late 2019 and early 2020 and then again after the March 2020 pandemic-related volatility. Here's what we discovered.

Clients value their advisors

Investors see their advisors as critical to their success. They expect you to conduct extensive research with far more technical and in-depth information than investors themselves can access through Google.

- More than 90% of clients see their advisor as a critical part of their financial success
- 82% of investors prefer to get their financial advice through human interactions

Clients value your advice—especially since the recent volatility

Following the recent volatility, we found that clients place more value on the quality of the advice and education they get from their advisor and less on the idea of "customized" services:

- The number of clients who value the high-quality financial services provided by advisors increased by 30%
- 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 number of clients who felt it was important for an advisor to focus on goal-based portfolio planning increased by 5% post-volatility
- The number of clients who felt it was important for an advisor to help them understand investment and strategy recommendations increased by 10% post volatility
- The importance that clients placed on "customized" services decreased by about 7%

Clients—even boomers—are more likely to choose an advisor using models

An even more pressing need given today's competitive environment is the retention of current clients and the acquisition of new ones. Interestingly, our research found that investors were far more likely to switch if they were aware that another advisor was using third-party models in their portfolios.

- In fact, the research identified that the number of clients who would consider switching advisors rose from 38% to 58% if they knew another advisor was using models in their practice
- And this is not limited to millennials; though 84% of them would consider switching to a model-based advisor, an additional 20% of boomers would consider switching advisors under these circumstances as well

Clients view their advisor as the expert in the relationship, and they expect them to leverage technology, resources and third-party expertise to provide them with the best investment options. Third-party models can help advisors meet clients' expectations as well as positioning them as the quarterback of the relationship. We believe that bringing models into the conversation as a foundational resource can enhance advisor-client relationships and help drive business growth.

For more information on our model portfolios, please visit our website.

For more investing insights, check out our Economic & Market Outlook

View the online version of this article here.

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DEFINITIONS

Volatility : A measure of the dispersion of actual returns around a particular average level. .