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GROW YOUR BUSINESS

By switching to model portfolios



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Manage risk proactively



Your clients look to you to safely grow their investments based on their personal level of risk tolerance and other factors in an ever-changing market.

With so much at stake, how do you balance their desire for portfolio growth with the risk inherent in investing?

Structured Investing

A model portfolio is a structured investment tool that may be just what you need to diversify and automate your client's portfolios, which frees up your time to focus on advising and educating your existing clients, while growing your business and bottom line.

Whether you have risk averse clients who are close to retirement and are looking for low growth / low risk investments or you have high-net worth investors that can afford to take some risks, a model portfolio is an excellent option that lets you diversify assets across a variety of categories, financial vehicles, and even industries – while still retaining some control over your planned asset allocation mix, as well as when and how you re-balance the portfolio.



What does this mean for you?

Of course, you want the best for your clients, and if you are designing custom portfolios for each of them, you may spend your days analyzing and tweaking their portfolios to best take advantage of fluctuations in the market. This doesn't leave much time for working directly with your customers who are looking to you to guide them – not only in their investments, but also in general financial planning practices as well.



And yet, it's commonly accepted that clients are more interested in financial planning and how well you support them in their journey. Switching to a model portfolio makes sense for your clients because it allows you to leverage the research and analysis of industry experts, thereby providing them peace of mind – particularly in times of upheaval, such as we are experiencing now – while spending more time working with them to plan out their critical milestones.

Using model portfolios also makes sense for your business because it allows you to scale your practice without sacrificing the personal touch and quality that your clients have come to expect from you.

85%

of Financial Planners
are using model portfolios

70%

Combine Models
with custom portfolio design

Ultimately, because you won't be spending large chunks of time building custom portfolios for each client, you will be able to diversify your product offerings and service a much larger audience.

54%

Assets in model portfolios
expected to grow to 58% by 2021

Source: [Broadridge Financial Solutions](https://www.broadridge.com/press-release/2019/model-portfolios-as-top-growth-strategy), 6/6/2019
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What's the catch?

You might be thinking to yourself, “Yes, but that sounds too good to be true – what’s the catch?” – and you would be wise to ask. There are some drawbacks to model portfolios, particularly when it comes to accessibility to cash, transparency around fees, and the ability to make changes at the individual product level. But that trade-off comes with the benefit of a holistic approach to investing that involves in-depth and on-going research by industry experts.



As you consider what model portfolios to make available to your clients, you will want to conduct an in-depth review to make sure they will fit your needs. A good example of the level of control you can exert was explained by Broadbridge in their report: “...control over underlying holdings also gives advisors the ability to add value through tax-loss harvesting at the individual account level. Advisors using models can realize losses by replacing a fund where the client has a negative return with a similar fund. The realized losses can then offset gains realized from rebalancing or capital gains distributions, thereby lowering the overall tax liability for clients”. If you are working with a high net-worth client, this flexibility can be invaluable, and it can help your other clients, too.

Become a trusted partner

You may also worry about losing clients that think you are a “lazy” advisor that puts their investments on “auto pilot” to manage them, while still getting paid. However, just because you can use model portfolios on auto pilot, doesn’t mean that you should. What it does mean, is that you need to remain aware of the market and your clients’ individual preferences and be prepared to make changes to the plan should the need arise.

I have been impressed with the urgency of doing.

Knowing is not enough; we must apply.

Being willing is not enough; we must do.

-- Leonardo DaVinci



By communicating regularly and using available tools to help meet client needs proactively, you position yourself as a trusted advisor; someone who is a source of valuable insight and information, who can also be hands-on when changes are needed.

Adding model portfolios to your toolkit will help simplify your work, giving you more time to meet with your clients and get to know what really motivates them and drives them forward – and what scares them the most – so that you can develop a plan that guides them along the path to long-term financial success.

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