

Financial Advisors Scaling Businesses Through Increased Model Portfolio Use, According to Broadridge Survey

Released : 06 06 2019

NEW YORK, June 6, 2019 /PRNewswire/ -- Model portfolio use has surged and financial advisors view models as an essential part of their toolkit, according to new data released today by [Broadridge Financial Solutions, Inc.](#) (NYSE: BR), a global Fintech leader and part of the S&P 500® Index. As financial advisors face more diverse competition and technology allows for more easily designed and managed models, assets under advisement are shifting to model portfolios, largely as a solution for business growth, prospecting and client retention.

Survey results show that financial advisors rely heavily on model portfolios as their businesses become more complex. Eighty-five percent of financial advisors currently use model portfolios, with 70% combining models with custom portfolio design. Further, respondents report that more than half of advised assets (54%) are in model portfolios and expect that figure to grow to 58% over the next two years.

For FAs, Models Seen as an Effective Solution to Industry Challenges

Business scalability is a main driver of model portfolio adoption or consideration, according to 65% of financial advisors using them and 35% of those not using them. Other top reasons financial advisors use models include leveraging investment management experts (50%), focusing efforts on client building and retention (47%), and better addressing compliance and regulation (36%).

Seventy-eight percent of financial advisors believe that their clients care more about planning, service and support than outperforming the market, and 83% agree that model portfolios are essential to allowing more time for financial planning.

"By shifting assets to model portfolios, financial advisors are acknowledging that they aren't just being asked to provide investment management expertise – they need to prioritize holistic financial planning and client service," said Matthew Schiffman, Principal at Broadridge Financial Solutions. "A focus solely on investment management limits the growth of an advisor's book of business. As advisors find the right balance between custom and model portfolios for their practice, we foresee more assets flowing into models, particularly if usage expands among higher AUM accounts."

Financial advisors continue to believe that model portfolios are more appropriate for smaller portfolios, with 73% viewing them as the preferred approach for client portfolios under \$500,000. Meanwhile, 46% prefer models for portfolios under \$1 million and 31% prefer models for portfolios over \$1 million.

"Lazy" Advisors and Lingering Concerns

Concerns about model portfolio usage remain, particularly among the 15% of respondents not using model portfolios to any degree. Of that group, 69% state they will definitely or probably not begin to use models in the next two years; 59% view managing money as part of their value-add for clients and 51% believe that their clients are expressly paying for customized solutions.

Other concerns resonated more broadly among those surveyed. Fifty-one percent believe that model portfolio usage makes it harder to differentiate versus robo-advisors, 46% believe that model portfolios are not as effective in down or highly volatile markets, 45% believe model portfolios make it harder to assess risk, and 35% believe that clients will view them as lazy for using models.

Amid Change, a Need for Asset Manager Expertise Emerges

Advisors are more likely to have increased rather than reduced their reliance on asset managers over the past three years – an increase of 50% among those using models and an increase of 31% of those not using models. Top reasons for increased use of asset manager resources include scalability, growth and efficiency (23%), better understanding a manager's strategies to make informed decisions (16%), and providing more professional expertise and guidance on investments and the market (16%).

Likewise, asset managers are the most likely resource for advisors constructing or rebalancing portfolios managed in-house. Among those using models, 74% leverage asset manager support, followed by Morningstar (65%) and in-house proprietary tools (55%). External communications from asset managers are also seen as valuable, with 86% of advisors finding website resources helpful, followed by email correspondence (81%), whitepapers (79%), and webinars and conference calls (70%).

"The surge of interest in model portfolios reveals a renewed purpose for asset managers," said Schiffman. "From a product and distribution perspective, asset managers need to explore placing more of their funds into model portfolios to meet demand, as well as consider creating more sophisticated products to attract higher-end investors. From a marketing and sales perspective, asset managers need to arm their wholesalers with specialist knowledge and constantly promote digital content that assuages advisor – and ultimately investor – concerns."

To download a summary of the survey results, [click here](#).

Methodology

This quantitative and qualitative survey of 500 financial advisors was fielded from March 21, 2019 through April 5, 2019 by Broadridge Financial Solutions. For further details on survey methodology, please contact a Broadridge media representative.

About Broadridge

Broadridge Financial Solutions, Inc. (NYSE: BR) a \$4 billion global fintech leader and a member of the S&P 500, is a leading provider of investor communications and technology-driven solutions to banks, broker-dealers, asset managers and corporate issuers globally. Broadridge's investor communications, securities processing and managed services solutions help clients reduce their capital investments in operations infrastructure, allowing them to increase their focus on core business activities. With

over 50 years of experience, Broadridge's infrastructure underpins proxy voting services for over 50 percent of public companies and mutual funds globally, and processes on average more than US \$5 trillion in fixed income and equity trades per day. Broadridge employs over 10,000 full-time associates in 18 countries.

For more information about Broadridge, please visit www.broadridge.com.

Media Contacts:

Matthew Luongo
Prosek Partners
+1 646-396-0966
mluongo@prosek.com

Linda Namias
Broadridge Financial Solutions
+1 631-254-7771
Linda.Namias@broadridge.com

View original content: <http://www.prnewswire.com/news-releases/financial-advisors-scaling-businesses-through-increased-model-portfolio-use-according-to-broadridge-survey-300862857.html>

SOURCE Broadridge Financial Solutions, Inc.