

NATIXIS CENTER FOR INVESTOR INSIGHT

Model citizens

Model portfolios align firms,
advisors, and client goals.



As US wealth managers broaden their focus from providing investments to delivering comprehensive financial planning, model portfolios are helping to streamline the investment process for advisors and provide clients with more consistent investment experience.

A win-win-win proposition



Wealth managers facing increased regulatory focus on suitability see models as providing an extra layer of due diligence; 77% say models help them manage risk, all while providing more customized client experience.¹



Advisors who need to balance business growth expectations with growing demand for expanded services from clients are finding that models can afford them more time to address the challenge without compromising on investment quality.



Clients who are presented with a more complex financial picture are getting access and institutional-quality investment management and a more holistic advisory relationship.



Models offer enhanced efficiency for wealth managers

Models can help address critical concerns

Wealth managers face key business challenges in today's complex investment environment and rapidly changing economic landscape:

One end of the spectrum, wealth managers are faced with the challenge of overseeing the investment decisions of thousands of advisors who are often managing investments for hundreds of clients. On the other, they're faced with helping clients stay invested when markets are uncertain and volatile. Fund selector sentiment suggests that model portfolios can help to address both concerns.



Models help enhance investments and relationships

Firms say models provide a more unified approach, making it easier to explain performance:



Models help manage risk



Models provide an extra layer of due diligence

Firms also find that models are a basis for a more holistic client relationship:



Models make UMA implementation more efficient



Models give clients a more consistent investment experience



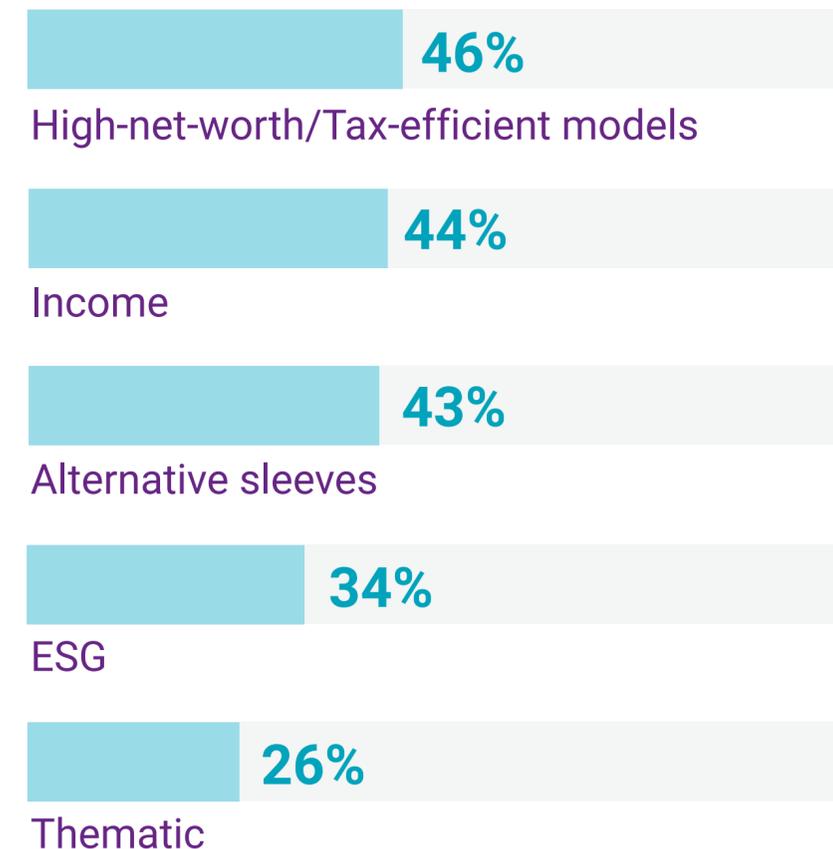
Platform plans emphasize specialty models

How firms will grow their platform

More than half (51%) of fund selectors say their firm will add to third-party offerings on their model portfolio platforms.



Fund selectors say their firms are finding greater need for speciality models





Models help advisors focus on growth activities



Advisors today face three key challenges



manage their investments



run and grow their business

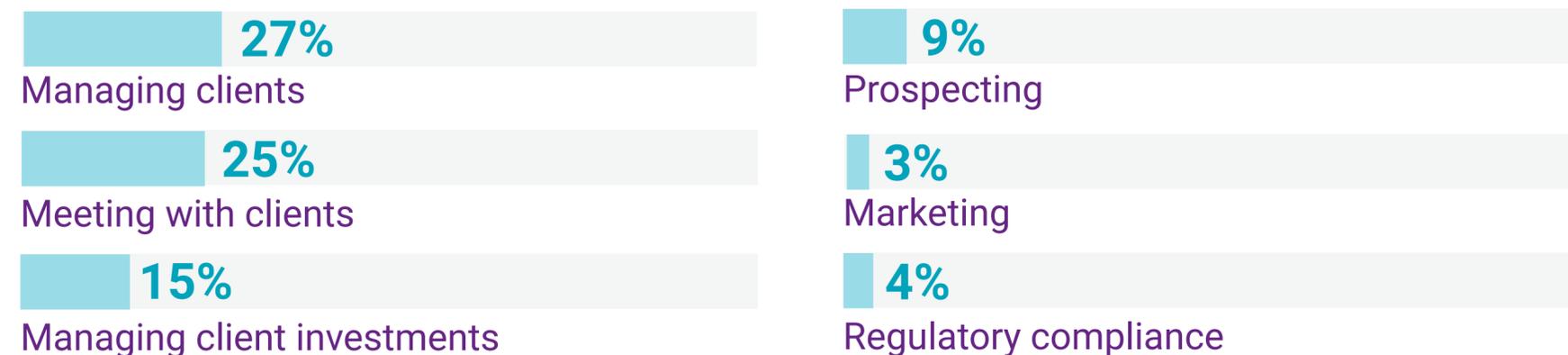


manage their clients

They're increasingly called to provide expanded financial planning services. In fact, financial planning advice tops the list of investor needs, with 45% of individuals saying that's one of their key concerns.

Advisors have lofty growth goals and they know they need new clients. In 2022, many reported that they planned to grow their practice by an average of 14.2% annually through 2025. That's quite a challenge, considering they say they can only spend 9% of their time prospecting each week. Models give them more time to address these challenges without compromising on investment quality.

How advisors spend their days





Advisors apply models for efficiency and growth



Models offer a solution for advisors as they look to enhance efficiency and streamline the investment process.

63% of advisors say demonstrating their value beyond asset allocation is critical to their success – something that more than 2/3 (67%) say is a challenge. 60% say it's key to establish a relationship with their clients' families, which 8 in 10 (81%) say is difficult. 34% say client retention will be instrumental to their growth, which 61% find challenging.

Two opportunities for introducing models into a practice



say they use models for retirement account rollovers (for an easy and efficient way of allocating holdings)



say they use models to transfer assets into their practice when they win new clients



Models help bolster client confidence



Roughly half of investors surveyed are already invested in models. In terms of assets, they span the wealth spectrum – from 37% of mass market investors and 37% of mass affluent investors to 35% of high-net-worth investors.

Overall, 78% of those invested in models say they look at volatility as an investment opportunity, while just 47% of non-model clients do. Similarly, 70% of model clients say they should invest more to keep pace with inflation while only 40% of non-model clients agree. Model clients also feel that inflation has underscored the need for professional advice (80% vs. 48%).



Model clients are nearly **twice as likely to say they are confident** in the state of their finances (**45%**) compared to those not in models (24%)

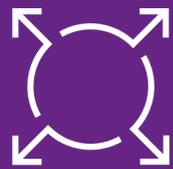


Model clients are **half as likely to say they are stressed** about their finances (**11%**) compared to those not in models (23%)



97%

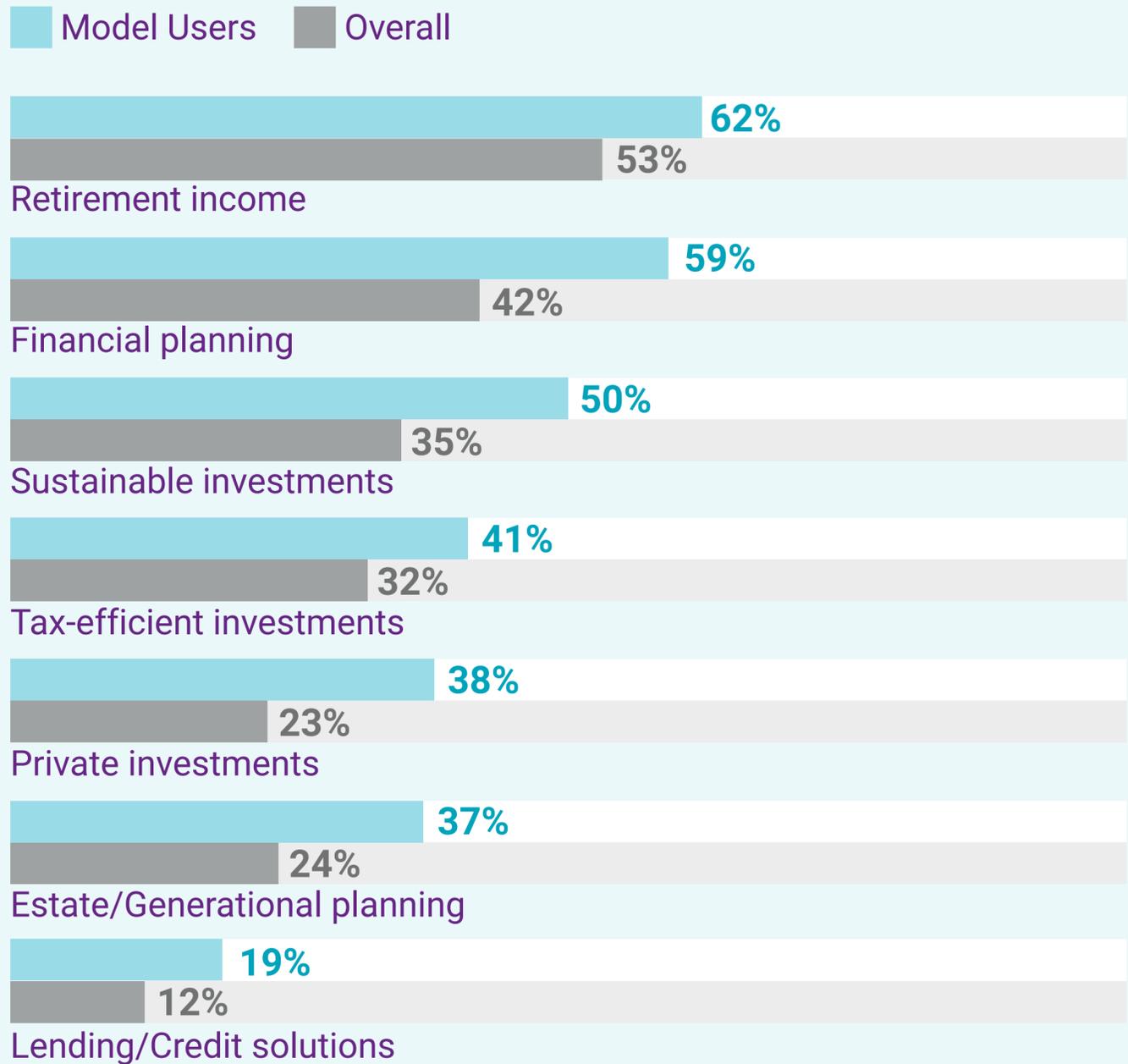
Clients invested in models are **more likely to say they trust** their financial advisor when making financial decisions (**97%**) than those who are not in models (73%)



Model clients more likely to be interested in broader advisory services



What services are you most interested in?



Model clients think the most important facet of their advisor relationship is that they are getting financial planning advice

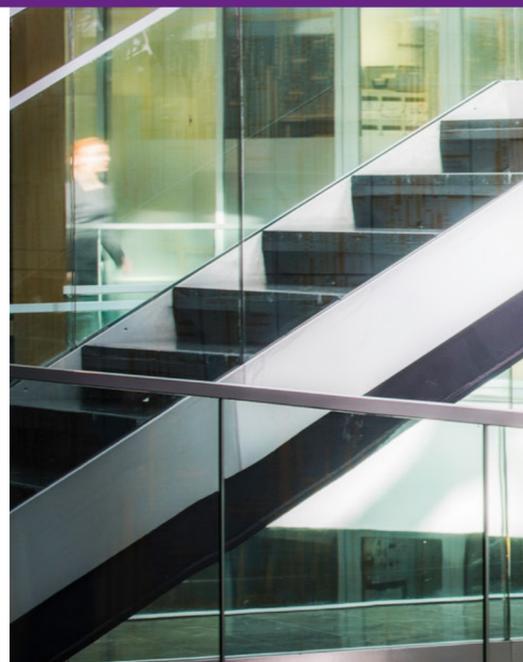


A win-win-win solution



Models align firms, advisors, and clients

- Firms are wise to orient their service offering to a wider set of client financial objectives than investments alone as they are much in demand – and still provide the models option on their platform.
- The opportunity for advisors is to align themselves with these two market forces. They have to go beyond asset allocation to earn new assets from new clients or win more assets from current clients. Right now, many are challenged by the time it takes to deliver. But model adoption shows that it may provide the time advisors need, without compromising on investment quality.
- Clients want additional services – not just an asset allocation strategy from their advisor.





Additional Information

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