

# Insider

## Part 1



## The Model Practice for Financial Advisors

[Insider](#)

In a recent study by Broadridge Financial<sup>\*</sup>, 78% of financial advisors said their clients care more about planning, service, and support than outperforming the market. But focusing on in-depth planning services requires capacity.

To make it possible to offer value-add services, advisors are systematizing the portfolio management side of their financial practice. How? Models, whether advisor created or strategist designed.

A models-based practice leverages a single, constrained set of models for all clients, rather than creating customized portfolios for each.

"Models allow advisors to manage and oversee all of their clients' portfolios using a set of models for each investment objective, instead of customizing allocations for each individual client," says Jason Nicastro, vice president of Product Management at LPL Financial. "This enables advisors to manage client relationships and dedicate more time to them, rather than spending all of their time managing the portfolio."

**"Model usage has skyrocketed in recent years, with 85% of U.S. advisors now adopting a models strategy, collectively controlling more than half of all advised assets."\***



But it's not a one-size-fits-all proposition. "While it's true your clients won't have a portfolio customized exactly to them, in most cases, you can have enough models (up to 15 in Advisor Sleeve, for example) to accommodate different needs," Jason says. "Most clients don't need extreme customization unless they're high net worth or have issues like concentrated stock options or complex tax challenges."

If a models-based practice would enable you to offer clients additional services, you have several

options at LPL:

1. **Strategist Models:** Model Wealth Portfolios or Optimum Market Portfolios
2. **Advisor Sleeve:** Model Wealth Portfolios for advisor models with outsourced trading and rebalancing
3. **Strategic Asset Management or Strategic Wealth Management:** For advisor models, primarily using the Enhanced Trading and Rebalancing Tool

## Strategist models

The most streamlined way to use models is by selecting strategist(s) on LPL's central management platform. Focus on selecting and pairing strategist models that align with your investment philosophy and clients' goals. Because you're delegating the fund selection and trading tasks to a strategist, you can dedicate more of your energy to the client relationship.

## Advisor Sleeve

Your next option is to use Advisor Sleeve in Model Wealth Portfolios (MWP). Advisor Sleeve allows you to retain control over the portfolio construction and maintenance processes while automating trading and rebalancing. You create the models and benefit from all MWP features, including tax-loss harvesting, drift rebalancing, and automated contributions and distributions. However, you make the investment decisions.

The platform's automatic risk scoring capability and intuitive interface allow you to create up to 15 models in minutes. Updating is easy, too: Make the change to the model within the tool, and the trades are automatically placed across all the client accounts assigned to the model. The result is a drastic reduction in time to create and rebalance portfolios.

You can also choose to combine your models with strategist models in MWP Advisor Sleeve for a unique approach.



## Open architecture

Your third option is to create and run your own models in Strategic Asset Management (SAM) or Strategic Wealth Management (SWM). While the process eliminates the automation offered in Advisor Sleeve, as you're creating and maintaining a set of models instead of multiple individualized portfolios, you're still running an efficient business.

## Eeny, meeny, miny ...

Deciding which strategy to pursue is a matter of client needs, as well as internal resources. "SAM requires more time, but it is less expensive, whereas Advisor Sleeve and MWP cost more but are less time intensive," Jason says.

It may make sense to leverage a combination approach, using Advisor Sleeve or SAM for certain client segments and MWP strategists for others. Whatever you decide, by running a models-based practice, you'll open up your time to focus on new services your clients will value and appreciate.

## Coming next in the series

- Dispelling Financial Model Myths
- Are You Ready to Move Your Financial Practice to a Models-Based Approach?
- How to Implement a Models-Based Approach for Your Financial Practice
- Introduce Your Clients to Financial Models

For more on a models-based practice, LPL advisors can access the whitepaper, "[A New Model for Today's World](#)," posted to the Resource Center.

\*Source: Distribution in a model-driven age, Broadridge Financial Solutions, Inc., 2019

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## Boston

LPL Financial  
75 State Street, 22nd Floor  
Boston, MA 02109

## Fort Mill

LPL Financial  
1055 LPL Way  
Fort Mill, SC 29715

## San Diego

LPL Financial  
4707 Executive Drive  
San Diego, CA 92121-3091

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