

Insider

Part 4



How to Implement a Models-Based Approach for Your Financial Practice

Insider



Adopt a systematic process as you transition to a models-based approach

So, you've decided to move to a financial models-based practice. You're about to set up your practice for future capacity, and therefore growth.

Step 1: Take a look at the book

First, survey your book of business, segmenting your clients and determining the type of models you'll need. A good approach is to decide on one model for each investment objective, while potentially adding specialized models for unique situations like extreme market volatility.



Step 2: Make your bucket list

Next, find commonalities among your existing portfolios to determine which investments you want to use across your financial model. The goal is to finalize a bucket of funds you'll consistently use.

Step 3: Do a stress test

Once you have your menu of investments ready to go, construct each model.

If you're using Advisor Sleeve, you'll be able to see how each investment impacts the model's risk tolerance as you build it, making it quick and easy to construct. If you're not using Advisor Sleeve, use another risk tool to determine how your model measures up.

When done, consider getting third-party help to analyze your model. Many product sponsors have portfolio analysis teams who can stress test your model and give you ideas for how to make it as effective as possible.

Step 4: Add clients

Develop a prioritization plan to move your clients into the models in a tax-efficient manner. You might be able to move non-taxable accounts very quickly, whereas taxable accounts might take two or three tax years.

While your plan is a starting point, opportunities to transition faster may appear. For example, if a position becomes negative, it could be a chance to move it into your new model without increasing the tax hit.

Remember to seek help

As you work through the process, we at LPL are here for you. You can leverage the LPL Research team, who can help you condense your fund list and perform portfolio analyses. Your Advisory Consulting team is also available to help you mine your book using a Business Analysis Report.



Becoming a “model” advisor

By using models, you’ll have a defined and documented process that gives you clear measures of portfolio results and areas to focus on for improvements. This may increase your long-term returns and reduce long-term risk, achieve higher consistency among your portfolios, and reduce tax consequences for your clients. Plus, it opens the door to more business growth.

Previously in the models-based practice series

- [The Model Practice for Financial Advisors](#)
- [Dispelling Financial Models Myths](#)
- [Are You Ready to Move Your Financial Practice to a Models-Based Approach?](#)

Coming next in the series

[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.

This material has been created for a Financial Professional audience. The content is designed for licensed financial professionals and may not include the level of detail, explanation and disclosure needed for a general audience to accurately evaluate the facts.

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

© 2020 LPL Financial
Member FINRA/SIPC

Work with a Financial
Professional

About Us

Investor Relations

Media

Newsroom

Careers at LPL

Terms of Service

Contact LPL: (800) 877-7210
CA Insurance Lic. #0518721

Sitemap

Fee Schedules

SEC Share Class Initiative and
Settlement

Privacy/Security

Disclosures

Exercise CCPA Rights

Investment strategies, we
offer #LPLAdvisors access
to a variety of ESG-
focused investing mater...
<https://t.co/GEvAJJT88z>



#LPLAdvisors, you can
attend a #ClientWorks
#LPLWebinar to stay
current with LPL's
technology and
processes! Check...
<https://t.co/OjiHwa4LN6>