Model Portfolios: Adaptive Solutions for Advisory Growth

2024 Key Findings and Analysis
State Street Investment Management Center for Investor Research

Table of Contents

Study Introduction

Model portfolios have become essential tools for financial advisors, delivering efficiency, scalability, and alignment with evolving client needs. By streamlining portfolio management, advisors can focus on practice growth and providing holistic, planning-based outcomes. Adoption strategies may vary, but model portfolios increasingly enable advisors to balance operational demands with personalized client engagement.

Building on our foundational 2019 study, Advisory Productivity: Embracing Asset Allocation Models, this 2024 research, Model Portfolios: Adaptive Solutions for Advisory Growth, examines how model portfolios are positioned to address three key challenges: the commoditization of investment management, rising client expectations for personalized financial advice, and the use of technology to create flexible, dynamic solutions for a changing market.

Model Portfolio Changes Are Made to Signal Value Not Outcomes

Client preferences are reshaping portfolios, but few changes reflect true investment conviction

Key Takeaway: Value isn't just delivered — it must be clearly conveyed. Advisors are increasingly adjusting model portfolios to align with client expectations, even when those changes may not impact performance. Yet, few communicate how models are used or why decisions are made, leaving clients to overestimate customization and question fees they don't fully understand. This growing gap in perception is reshaping how value is interpreted by both clients and advisors.

Reasons for Modifying Models or Creating Custom Portfolios for Certain Clients

Advisors are modifying models to signal value to clients despite limited conviction in their impact. More than half of advisors make changes to models to meet client expectations. However, only a third believe those changes improve outcomes.

Nearly half of advisors still build their own models. But this hands-on approach may come at a cost. Time spent customizing portfolios is time not spent deepening client relationships of scaling the practice.

Many clients believe their model portfolios are fully personalized. While more than half of investors believe they receive bespoke portfolios, only 14% of advisors say they build them. This disconnect may fuel unrealistic expectations and undermine perceived value.

Advisors overestimate client understanding of fees. Nearly 90% of advisors believe clients understand fees, but fewer than half of investors agree. Without clarity, cost becomes a flawed proxy for value.

As the investment management landscape becomes increasingly commoditized, the advisor's ability to articulate value—through planning, personalization, and clarity—will define differentiation.

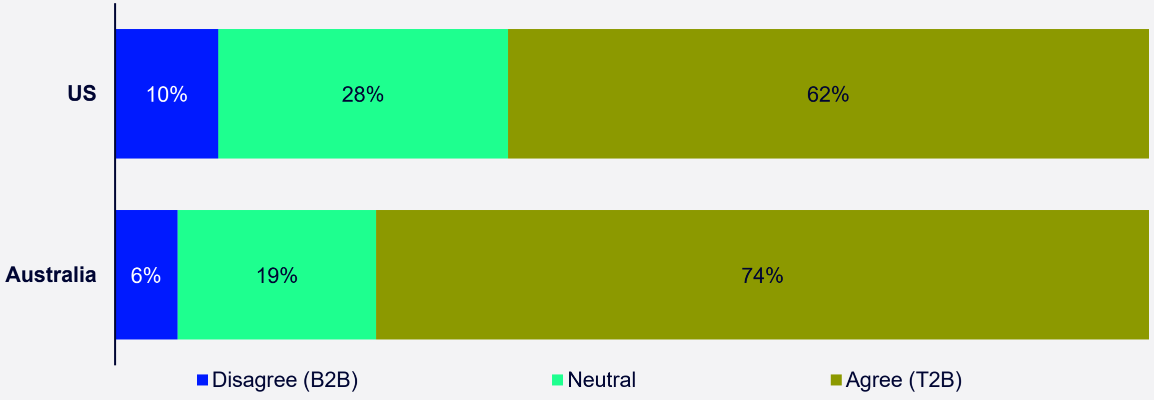
State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.

Investors Prioritize Comprehensive Planning Not Just Performance

Most advisors overlook service or communication as part of their value proposition

Key Takeaway: The advisor narrative has not kept pace with structural change. As portfolios become more standardized and client needs more complex, many advisors continue to lead with messaging anchored around performance and product selection. Yet, clients today interpret value across the full relationship, placing more weight on clarity, service and comprehensive integration than investment returns alone. The ability to deliver advice that feels cohesive, not compartmentalized, is now central to how clients define high-quality guidance.

"I want more personalized advice from my financial advisor that covers a comprehensive view of my financial priorities"



Advisors overestimate the role of performance in client loyalty. More than half include it in their value proposition, yet only 17% of clients cite returns as their primary reason for working with an advisor.

Communication remains an undervalued driver of client retention. Investors consistently rank clarity, responsiveness, and accessibility above performance.

Planning is the top reason investors work with advisors. Despite strong client demand for holistic financial guidance, only a small fraction of advisors highlight planning in their messaging, missing an opportunity to align with what clients' value most.

Investors expect comprehensive advice from their advisor. More than 70% say integrated planning improves both confidence and decision-making. However, fewer than 1 in 4 advisors deliver coordinated guidance across tax, retirement, insurance, and estate planning needs.

Advisors who align their practices with what clients' value will lead the next wave of trust and retention. The opportunity is not just to deliver investment management, but to focus on comprehensive advice to remain competitive.

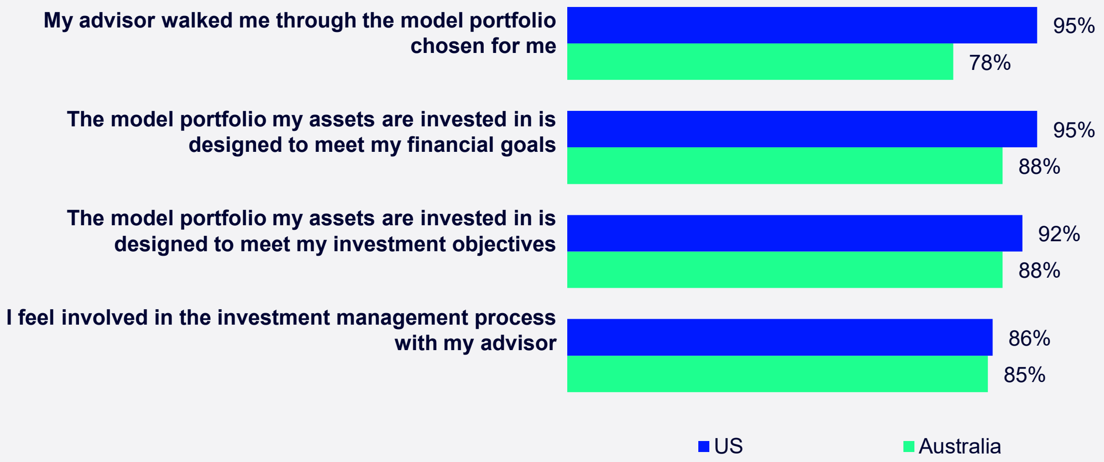
State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.

Clients Trust Model Portfolios When The Strategy Is Understood

Satisfaction rises when clients see how model portfolios fit their unique financial priorities

Takeaway: Clients trust model portfolios more when they understand the strategy and feel included in the process. Clients gain confidence when they understand the "why" behind the model—why it was chosen, how it reflects their goals, and where it fits into their broader plan. This builds trust, drives engagement, and reinforces the model portfolio as a tailored solution rather than a one-size-fits-all product.

Investors Who Agree (Top 2 Box)



Trust in model portfolio grows when clients understand the strategy behind them. Clients who say their advisor explained why the model was chosen—something reported by 95% of model-aware investors—are more likely to view it as a tailored solution, not a product.

Service enhancements amplify model portfolio's value proposition. Fewer than 20% of advisors included communication in their value proposition, yet investors consistently rank clarity, responsiveness, and accessibility above performance in importance.

Inclusive planning cements client commitment. 86% of investors who help shape model decisions feel like active partners, not bystanders. This creates a shared roadmap that keeps clients engaged.

Next-gen platforms turn model portfolios into personalized, scalable experiences. With 88% of advisors using TAMPs and leveraging custodian models, platform access is no longer an edge. Instead, how advisors personalize their delivery is becoming increasingly relevant.

Advisors should focus on reinforcing how the model aligns with their client's goals, creating space for input, and framing the portfolio as part of a bigger plan. Personalization isn't just about custom holdings—it's about making clients feel seen, heard and confident in the strategy guiding their investments.

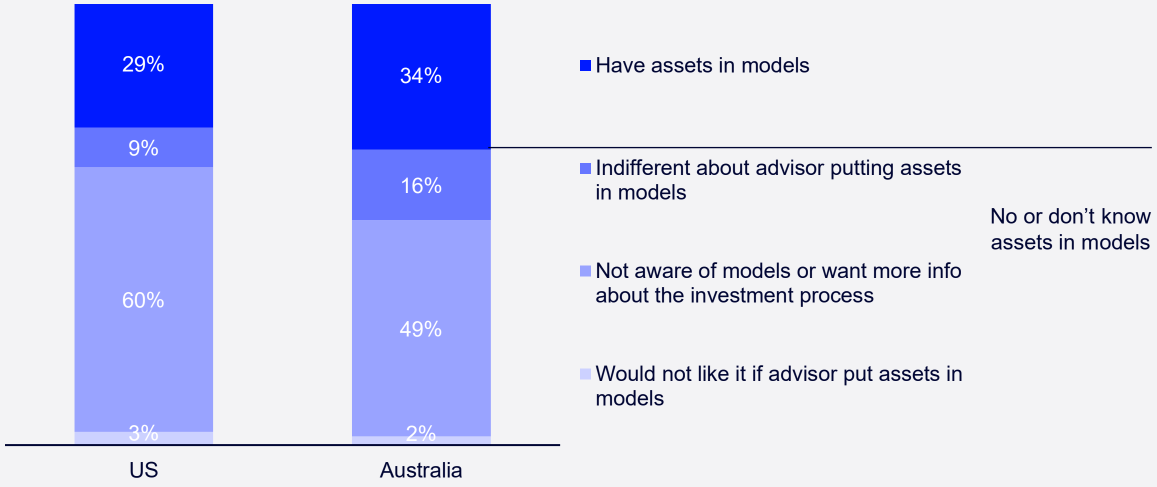
State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.

The Rise Of Models Is Changing What It Means To Be An Advisor

Most advisors use model portfolios but fall short of delivering true personalization

Key Takeaway: Model portfolios are no longer just vehicles for portfolio construction. They've become the backbone of how financial advice is delivered, scaled, and experienced. Furthermore, we've witnessed that using model portfolios and effectively communicating their benefits can significantly enhance client satisfaction. Still, many advisors only use one or two models, missing a chance to visibly tailor solutions.

Investor Awareness & Perception of Models



There is a sizable group of investors who need more education about models. In the US, near a third of investors say they don't know what a model portfolio is or how it works. In turn, 70% of investors see a "lack of individual tailoring to my specific situation" as a disadvantage of models.

Advisors rarely explain model portfolios. Nearly 9 in 10 use them, yet only a third of investors know they're in one, suggesting many are left to interpret decisions on their own.

Model portfolios support alignment across generations. Advisors using models report greater ease in managing multigenerational relationships. As wealth transitions accelerate, models give advisors scalable tools to meet evolving preferences.

Tax personalization remains one of the most overlooked strengths of model portfolios. While 85% of advisors agree that tax personalization is a key benefit of using models, many don't clearly position it as part of their value proposition.

Until the value proposition challenge is overcome, customization will be critical to advancing the adoption of model portfolios. Models are chosen intentionally for each client. Financial advisors are performing due diligence and that is that is the customization, not building allocations from scratch.

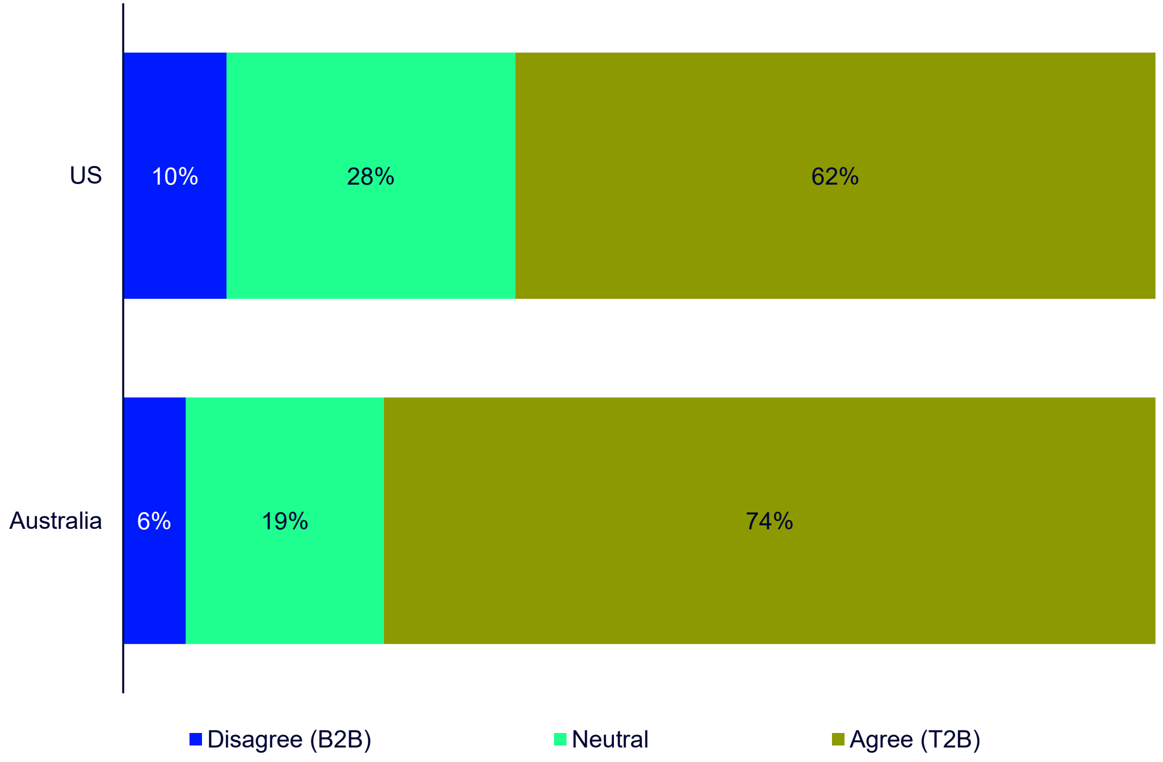
State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.

Key Insights
US and Australian Individual Investors

Majority of Investors Agree They Want More Personalized and Comprehensive Advice

Nearly two-thirds of US investors agree they want more personalized advice from their financial advisor that covers a comprehensive view of their financial priorities, and roughly three-quarters of Australian investors agree.

"I want more personalized advice from my financial advisor that covers a comprehensive view of my financial priorities"



State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: How much do you agree or disagree with the following statement: "I want more personalized/personalized advice from my financial advisor/adviser that covers a comprehensive view of my financial priorities?
(5-point scale 1 "Strongly Disagree" to 5 "Strongly Agree") Base: Total Sample.

Investors Using More Services from Financial Advisors

US investors' use of retirement/ pension planning, tax planning, estate planning and charitable planning has increased significantly.

Australian investors' use of portfolio construction, tax planning, insurance, charitable planning, and behavioral coaching has increased significantly.

Services from Financial Advisor	US		Australia	
	2019 (%)	2024 (%)	2019 (%)	2024 (%)
Investment management	82	83	63	65
Financial planning	75	78	78	72
Retirement/pension planning	57	**68**	62	50
Portfolio construction	49	48	32	**44**
Tax planning	27	**45**	42	**59**
Estate planning	29	**37**	25	28
Insurance	23	23	22	**36**
Business Planning (New to Q2 2024)	—	17	—	16
Charitable planning	10	**17**	2	**10**
Behavioral coaching	9	10	2	**13**
Risk insurance (AU only)	—	—	13	17

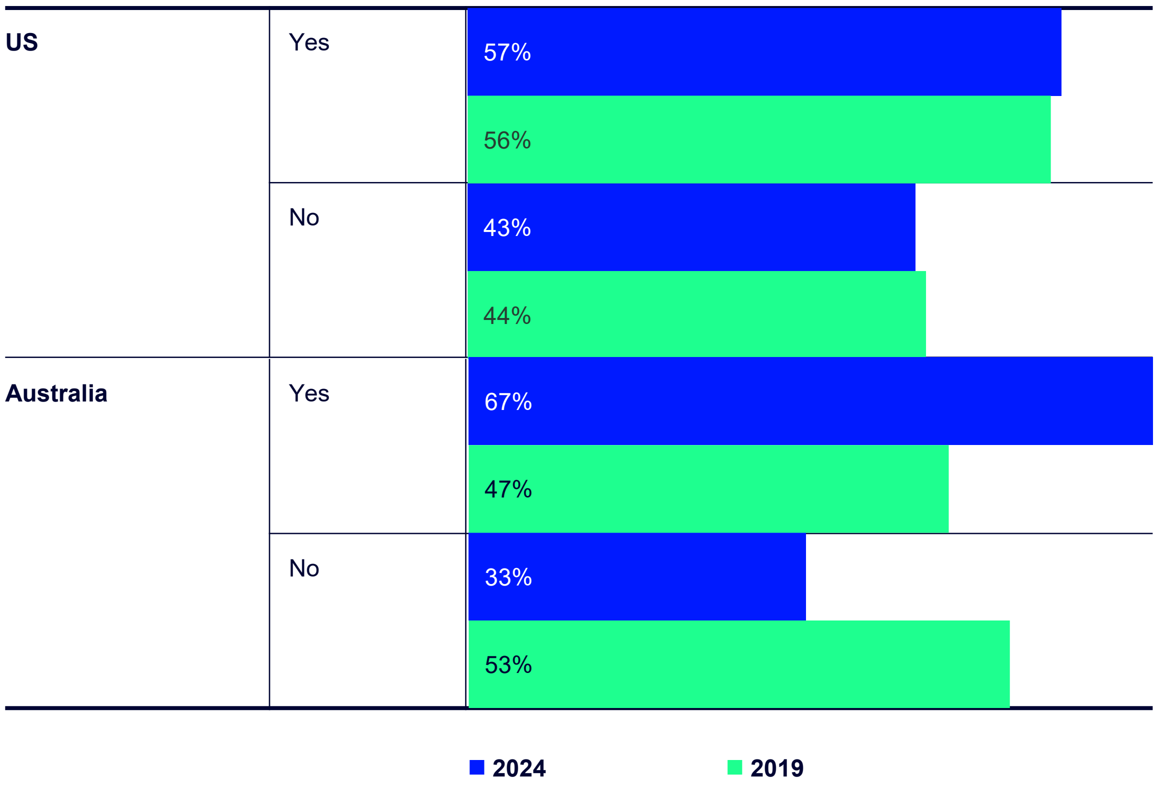
State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: What services do you utilize from your financial advisor/adviser? (Select all that apply) Base: Total Sample.

Investors Awareness of Model Portfolios Is Unchanged in US and Significantly Higher in Australia

Among US investors, 43% are not aware of model portfolios, similar to 2019.

Significantly more Australian investors are aware of model portfolios now (67%) than in 2019 (47%).

Aware of Model Portfolios
(Among Total)

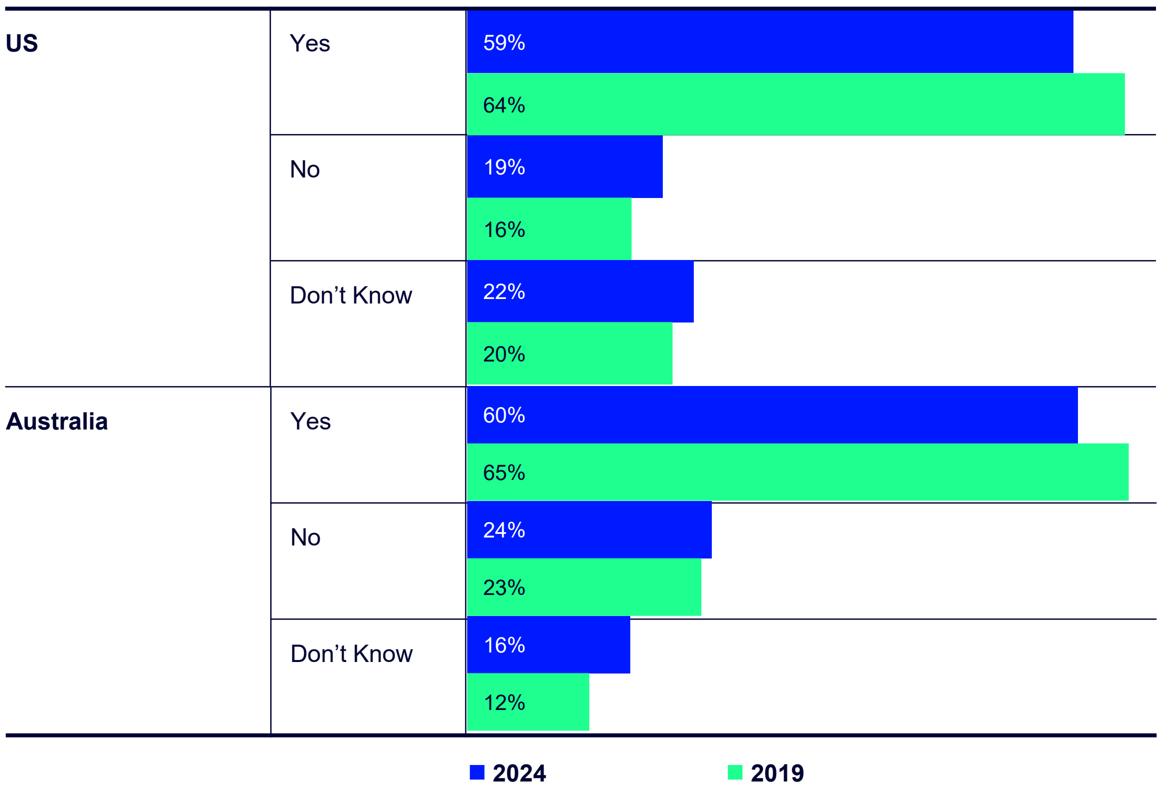


State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: What services do you utilize from your financial advisor/adviser? (Select all that apply) Base: Total Sample.

Among Model-Aware Investors, No Significant Change in Their Awareness of Their Advisor’s Usage

The percent of model-aware investors who know their financial advisor uses model portfolios has remained consistent over time, at about 60% in both the US and Australia.

Aware of Model Portfolios Usage
(Among Total)

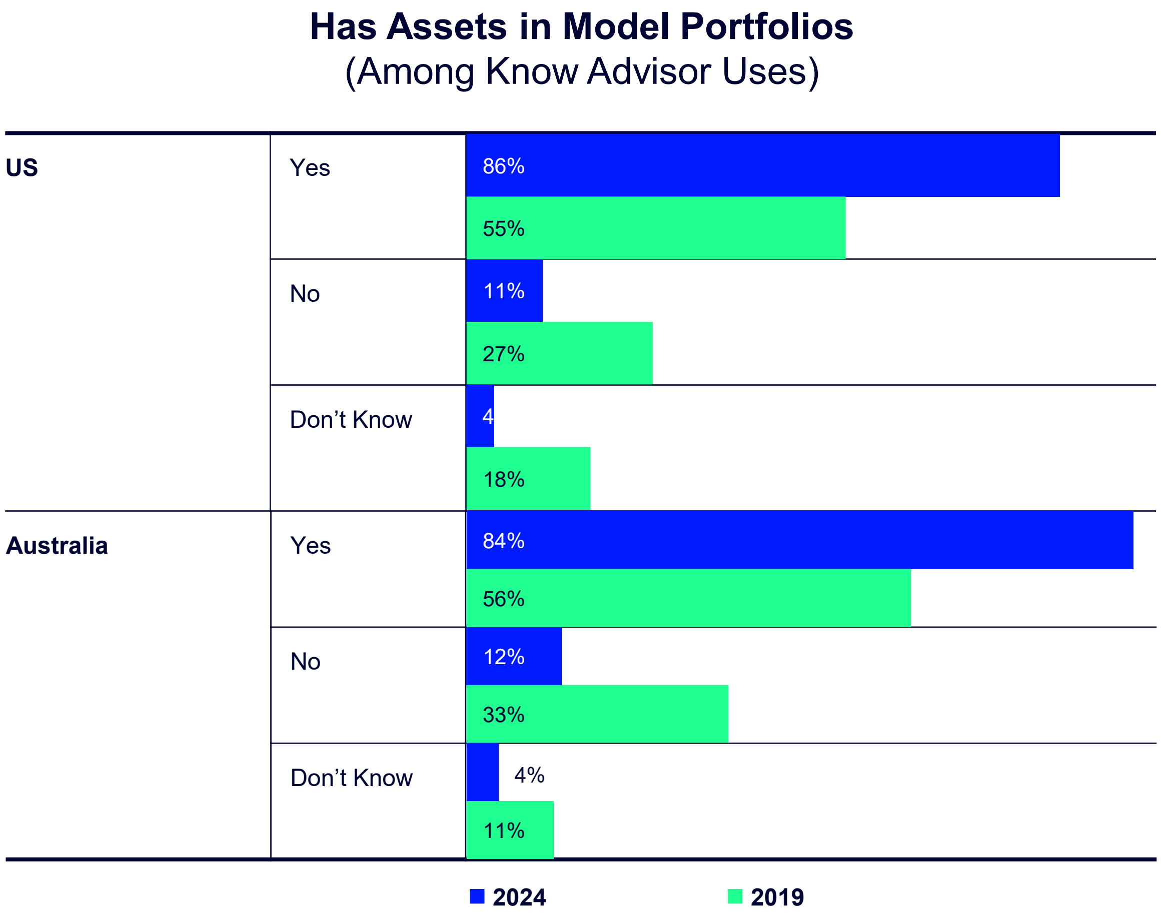


State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: Does your advisor/adviser use model portfolios? (Select one) Base: Aware of Model Portfolios.

Among Investors Who Know Their Advisor Uses Models, Significantly More Have Assets in Models Now Than in 2019

86% of US and 84% of Australian investors say they have assets in model portfolios.

In 2019 only 55% of US and 56% of Australian investors did.

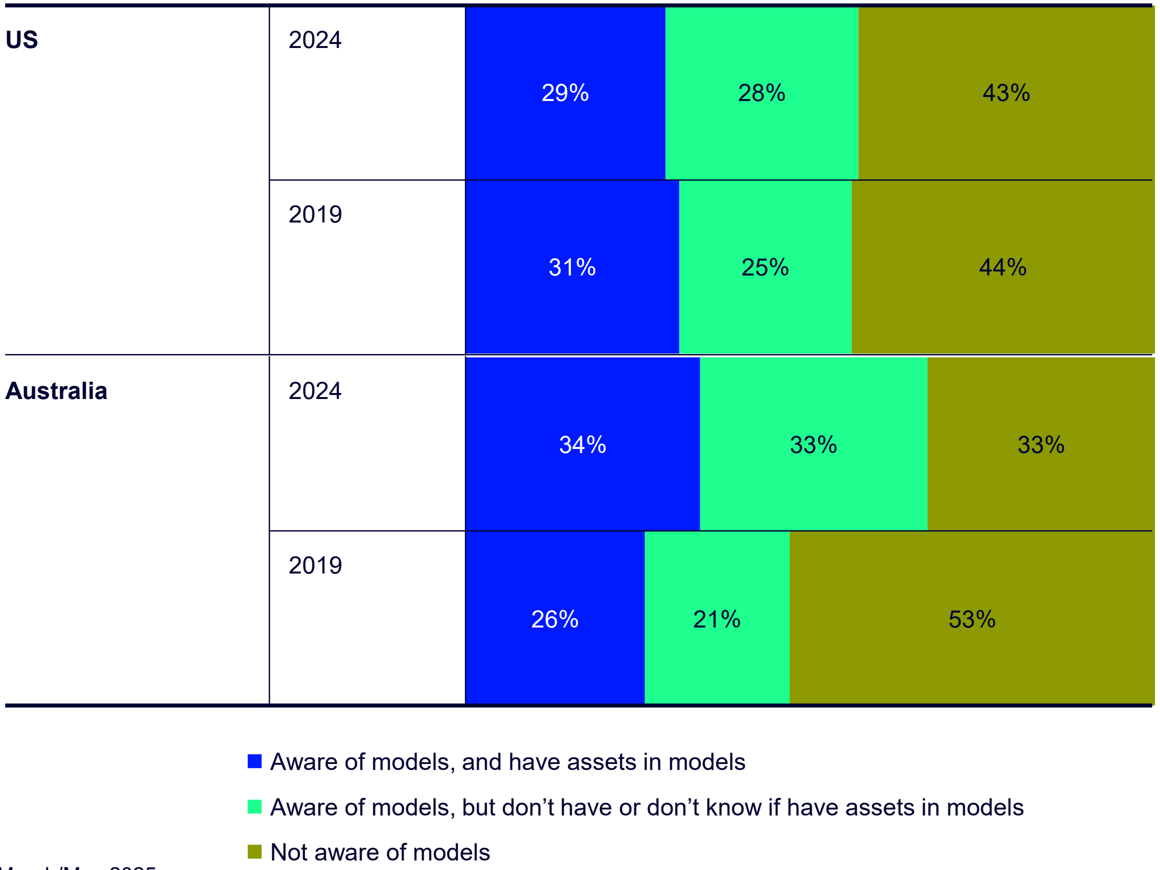


State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: Does your advisor/adviser have any or all of your assets in model portfolios? (Select one) Base: Know Advisor Uses Model Portfolios.

About Three-in-Ten Investors Surveyed Know They Have Assets in Models

Roughly one third of US and Australian investors know they have assets in models, and two thirds either do not have assets in models or don’t know if they do.

Combined Awareness
(Among Total)



State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: (Description in Notes) Is this consistent with what you have heard about model portfolios? (Select one) / Have you heard of this investment vehicle? (Select one) Base: Total Sample
Q: Does your advisor/adviser use model portfolios? (Select one) Base: Aware of Model Portfolios
Q: Does your advisor/adviser have any or all of your assets in model portfolios? (Select one) Base: Know Advisor Uses Model Portfolios

Investors in US and Australia See Many Benefits to Their Advisors, Having Put Their Assets in Models

More Australian investors say lower fees, portfolio monitoring, and advisor availability are benefits than in 2019. Fewer (79%) say portfolio track record is a benefit than in 2019 (91%).

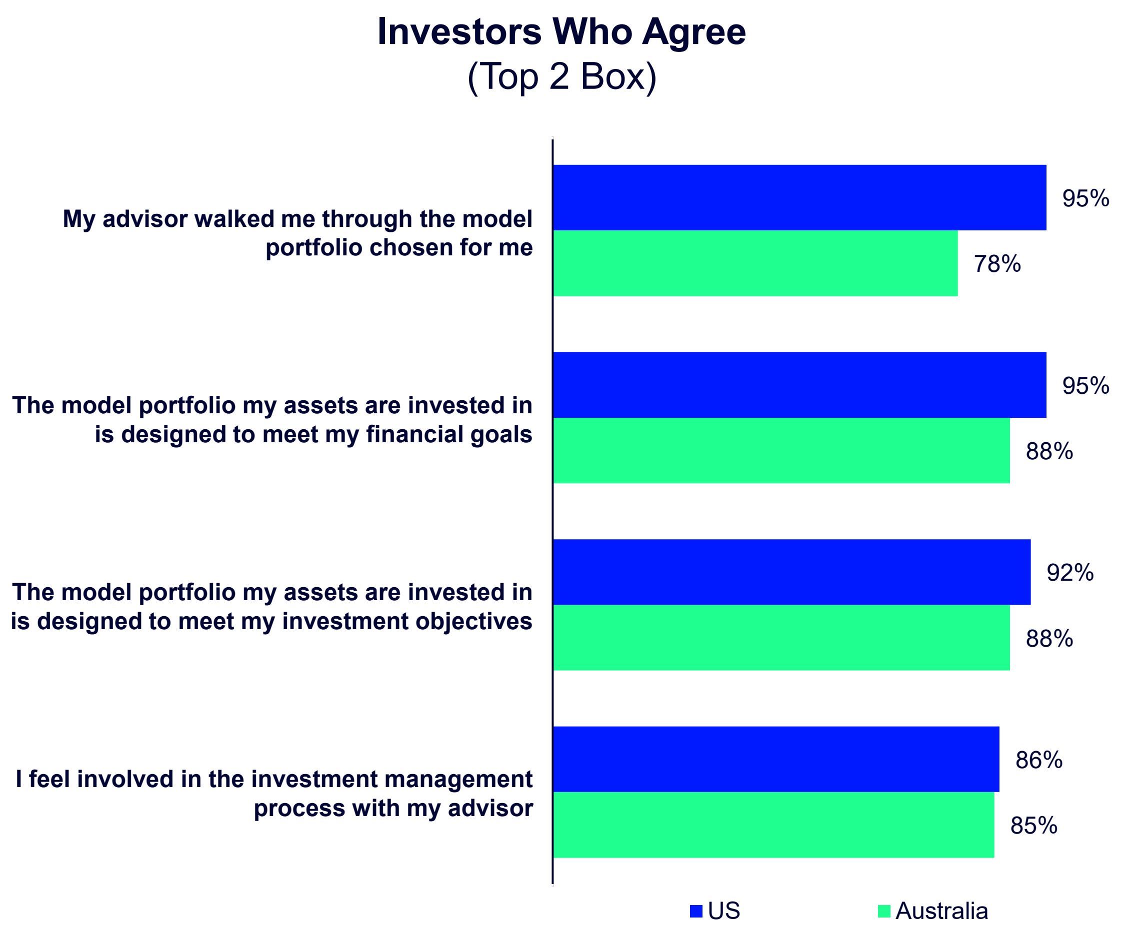
Benefits of Advisor Having Assets in Model Portfolios	**US**		**Australia**	
	2019 (%)	**2024 (%)**	**2019 (%)**	**2024 (%)**
My portfolio has a track record that fits my risk tolerance	87	89	**91**	79
My advisor can spend more time helping me make more intelligent financial planning decisions	87	89	85	89
My advisor can focus on what really matters to me	89	86	89	87
My advisor can be more flexible to my needs	79	85	83	87
More proactive reporting is provided	76	84	80	89
My portfolio is being constructed by asset managers with more knowledge of the markets	90	81	91	91
Better returns	81	81	83	89
I am better protected by a robust compliance structure	75	77	85	91
There is more robust due diligence on my portfolio	83	75	85	84
Lower fees	76	75	67	**81**
My portfolio is being monitored more closely than if it was made and managed by my advisor	76	74	74	**87**
I get exposure to asset classes that are typically difficult to access	6	66	74	80
I get more of my advisor's time	65	63	72	**87**

State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: Is the following a benefit to you because your advisor/adviser has your assets in a model portfolio? (Select all that apply) Base: Know Assets Are In Model Portfolios

Investors Who Know They Have Assets in Models Agree Their Advisors Communicate Well

A vast majority of US (95%) and Australian investors (78%) who know they have assets in models say their advisor walked them through the model chosen for them.

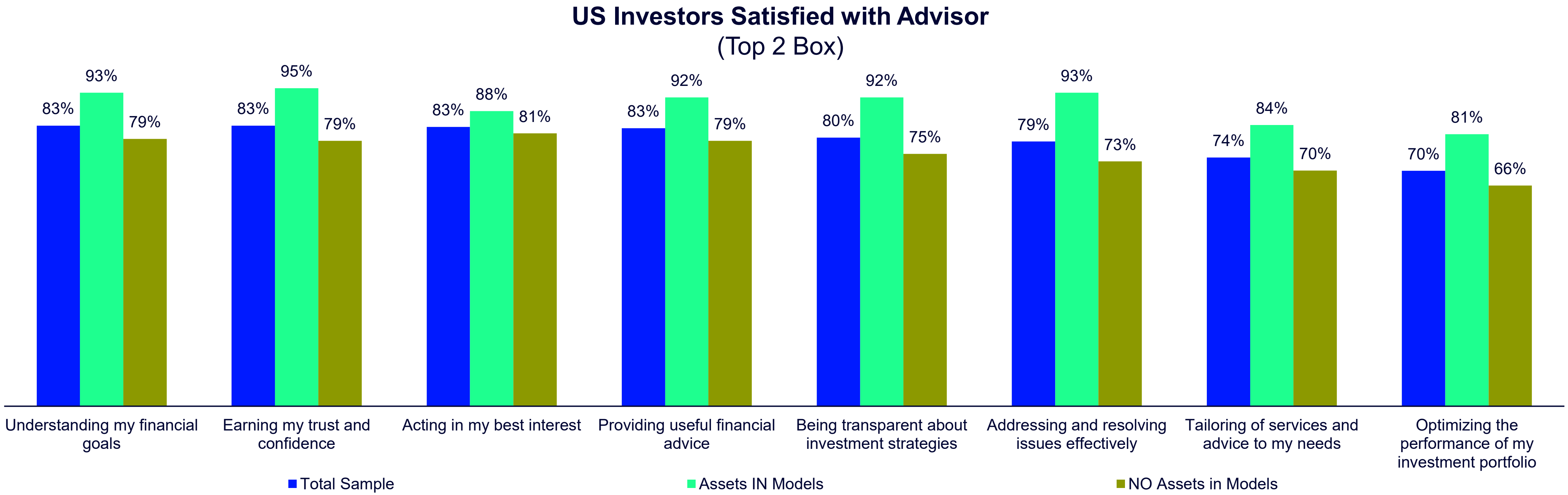
Similarly, both US (86%) and Australian investors (85%) say they felt involved in the investment management process.



State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: Please indicate how much you agree or disagree with the following statements. (5-point scale 1 “Strongly Disagree” to 5 “Strongly Agree”) Base: Know Assets Are In Model Portfolios.

US Investors Who Have Assets in Models More Satisfied With Their Financial Advisors Than Those Who Don't

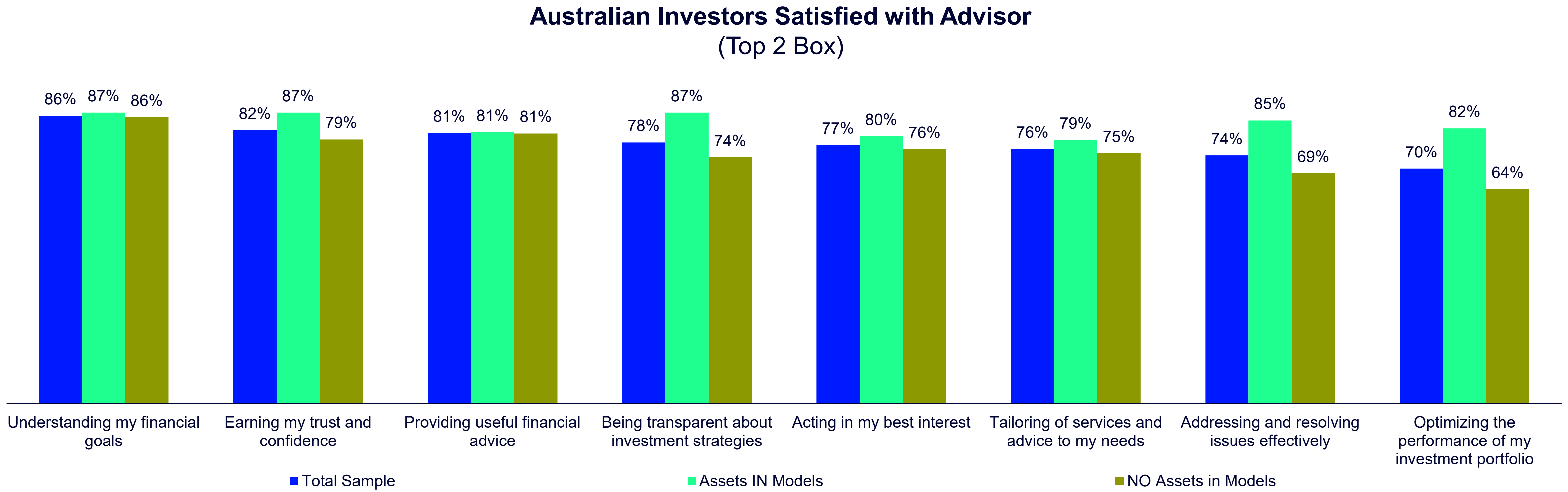
Investors who know their assets are in model portfolios are more likely to be satisfied with all qualities of their financial advisor than investors who don't know or have no assets in model portfolios.



State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: How satisfied are you with each of the following qualities of your financial advisor? (5-point scale 1 "Not at All Satisfied" to 5 "Extremely Satisfied") Base: Total Sample.

Australian Investors With Assets in Models More Satisfied With Transparency, Issue Resolution, and Portfolio Optimization

In Australia, investors who know their assets are in model portfolios are significantly more likely to be satisfied with their financial advisor "being transparent about investment strategies," "addressing and resolving issues effectively," and "optimizing the performance of my investment portfolio" than investors with who don't know or have no assets in model portfolios.

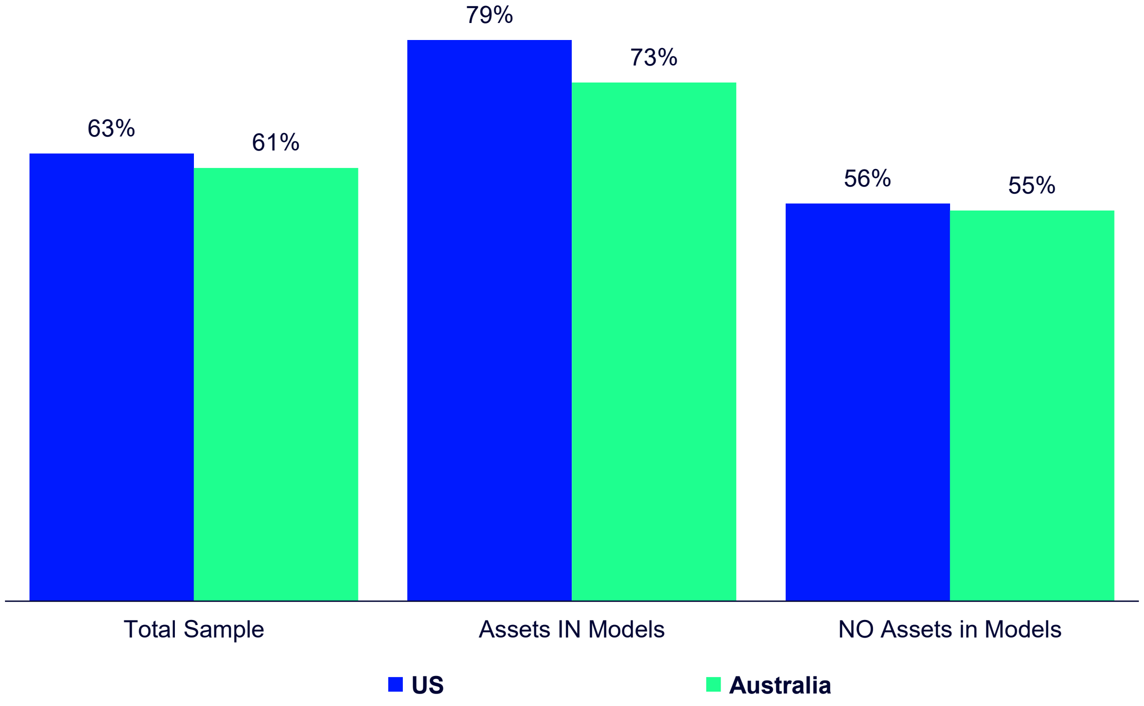


State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: How satisfied are you with each of the following qualities of your financial advisor? (5-point scale 1 "Not at All Satisfied" to 5 "Extremely Satisfied") Base: Total Sample.

Investors With Assets in Models Are More Satisfied With the Fees They Pay for the Value of Services They Receive

In the US and Australia, investors with assets in models are significantly more satisfied with the fees they pay for the value of services they receive from advisors.

Satisfied With Fees for Value of Services
(Top 2 Box)



State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: How satisfied are you with the fees you pay for the value of services you receive? (5-point scale 1 “Not at All Satisfied” to 5 “Extremely Satisfied”) Base: Total Sample.

US and Australian Investors With Assets in Models More Likely to Recognize Advisor Value Beyond Better Returns and Lower Fees

US and Australian investors with assets in models are more likely to recognize advisor value beyond better returns and lower fees, **including appreciating attributes like 'having more of my advisor's time' and 'advisor being more flexible to my needs.'**

Improve Value of Services Received from Advisor	US		Australia	
	Assets IN Models (%)	NO Assets in Models (%)	Assets IN Models (%)	NO Assets in Models (%)
Better returns	55	49	47	50
Having more of my advisor's time	**42**	17	**44**	23
Lower fees	41	48	40	49
My advisor being more flexible to my needs	**36**	17	**33**	14
More proactive reporting being provided	**34**	24	26	22
My portfolio being monitored more closely than if it was made and managed by my advisor	**33**	15	25	23
My advisor spending more time helping me make more intelligent financial planning decisions	**32**	18	29	24
My portfolio having a track record that fits my risk tolerance	**32**	16	**34**	19
My advisor focusing on what really matters to me	29	19	**32**	20
Being better protected by a robust compliance structure	**27**	8	22	15
Getting exposure to asset classes that are typically difficult to access	**25**	13	22	15
More robust due diligence on my portfolio	**22**	9	**28**	15
My portfolio being constructed by asset managers with more knowledge of the markets	**21**	10	**32**	13

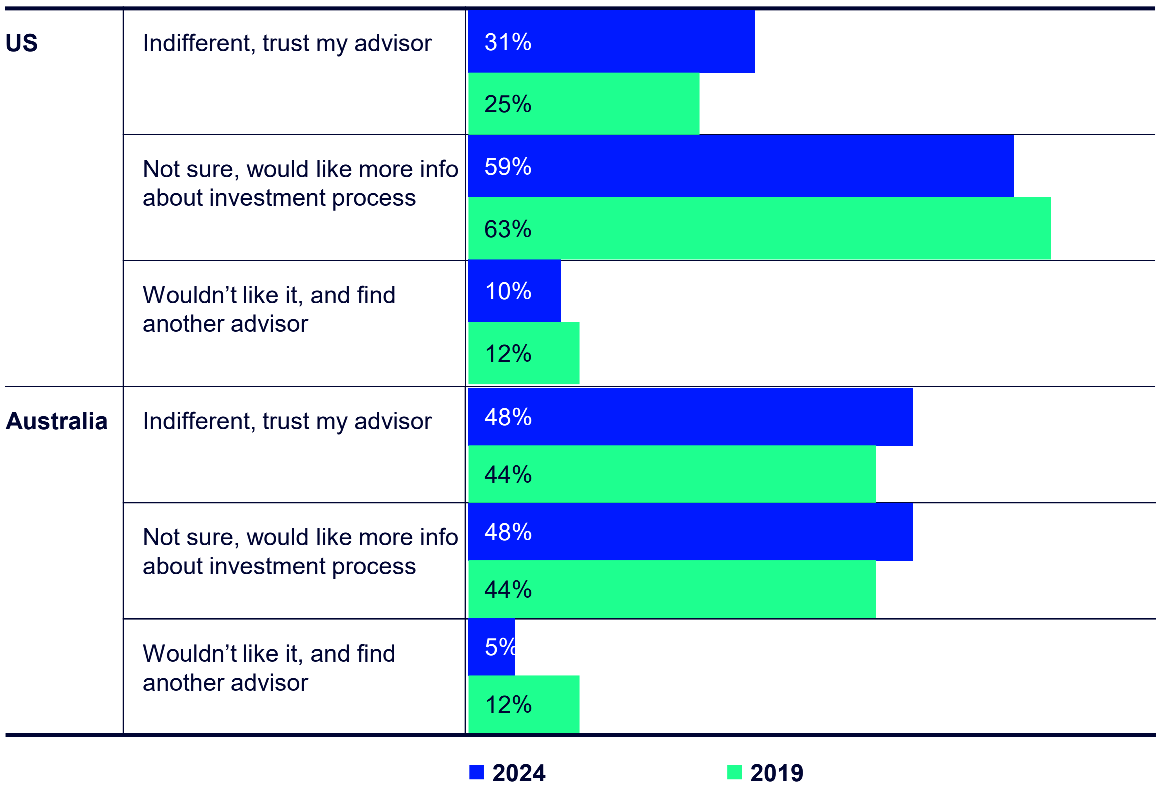
State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: Investor Survey: Which, if any, of the following would improve the value of services you receive from your financial advisor? (Select all that apply) Base: Total Sample.

Australians More Open Than US Investors to Having Assets in Model Portfolios

In the US, while about three-in-ten investors are indifferent about having their assets in model portfolios, six-in-ten would like more information about the process, and one-in-ten say they "wouldn't like it."

Dissimilarly, in Australia, investors are split, with roughly half either being indifferent or wanting more information, and only one-in-twenty saying they "wouldn't like it."

How Investors Feel if Advisor Put Assets in Model Portfolio

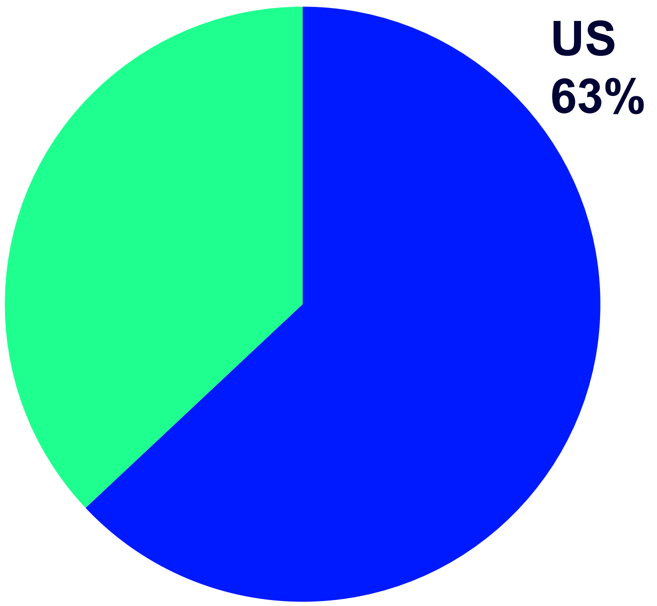


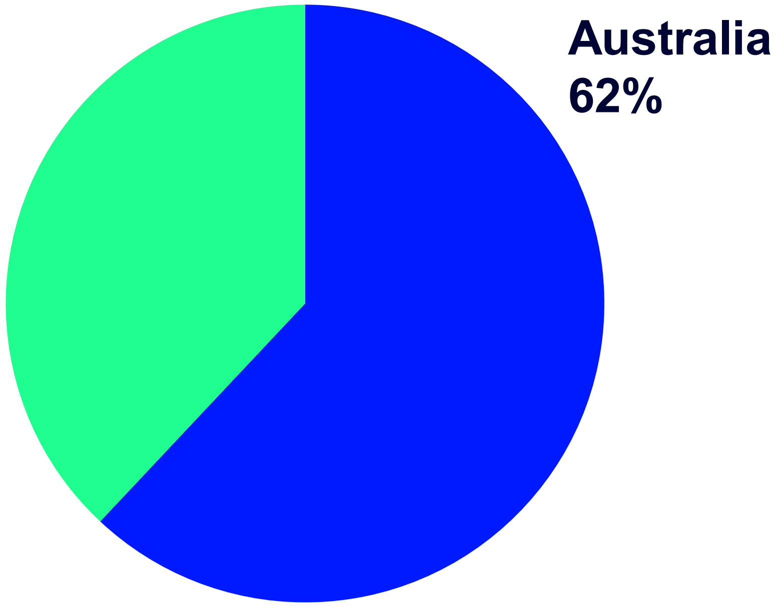
State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: How would you feel if your advisor/adviser wanted to put your assets in a model portfolio? (Select one) Base: Aware of Model Portfolios, But Either No or Don't Know Assets Are In Model Portfolios.

Comprehensive Financial Planning From Their Advisor is More Important to Investors Than Portfolio Construction

Nearly two-thirds of US and Australian investors agree with the statement.

"I expect my advisor to deliver comprehensive financial planning, and it doesn't matter to me if my portfolio is designed by my advisor or a third-party asset manager, like Blackrock or Vanguard" (Top 2 Box Agree)





State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: Please indicate how much you agree or disagree with the following statements. (5-point scale 1 "Strongly Disagree" to 5 "Strongly Agree")
Base: Aware of Model Portfolios, But Either No or Don't Know Assets Are In Model Portfolios.

Investors' Perceived Disadvantages of Having Assets in Model Portfolios Circle Back to Their Lack of Understanding of What They Are Paying for

While 70% of US investors see "lack of individual tailoring to my specific situation" as a disadvantage of models, 65% of Australian investors agree with that disadvantage as well as "advisor would not regularly add value for the fees I'm paying."

Potential Disadvantage of Advisor Having Assets in Model Portfolios	US		Australia	
	2019 (%)	2024 (%)	2019 (%)	2024 (%)
There would be a lack of individual tailoring to my specific situation	**63**	**70**	**67**	**65**
My advisor would not deliver the level of personalized service I expect	57	58	53	60
My advisor would not regularly add value for the fees I'm paying	53	56	58	65
My advisor would not have enough control of my portfolio	41	56	**60**	**55**
My advisor would not meet my unique goals and needs	49	54	60	63
I would not have enough insight into the investment strategy	41	45	60	52
Investment strategies would be less imaginative	43	37	42	48

State Street Investment Management Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, March/May 2025.
Q: Do you see the following as a potential disadvantage to you if your advisor/adviser were to put your assets in a model portfolio? (Select all that apply).
Base: Aware of Model Portfolios, But Either No or Don't Know Assets Are In Model Portfolios.

Research Methodology

Research Methodology

To help advisory firms achieve growth by aligning with clients' needs and expectations, State Street Global Advisors explored how model portfolios can streamline portfolio management, enhance client trust, and drive business growth through improved service delivery and personalized advice. Our Strategic Advantage of Asset Allocation Models research, conducted from March to May 2024 by State Street Global Advisors' Research Center in partnership with A2Bplanning and Prodege, followed a three-phase approach, detailed on the next two slides.

The 2024 research builds on the foundation of our 2019 Advisor Productivity: Embracing Asset Allocation Models study, which examined the usage perceptions and impact that outsourcing portfolio management has on financial advisor value and advisory practice development.

Research Methodology

The **Strategic Advantage of Asset Allocation Models** research, conducted from March to May 2024, followed a three-phase approach:

Phase 1: Subject Matter Expert (SME) Interviews

- Three interviews with SMEs in the United States provided context on current model trends. These conversations informed the development of Phase 2 survey questions. Interviews were conducted on March 26 and April 8, 2024.

Phase 2: Financial Advisor and Individual Investor Survey

- In the US, data was collected through an online survey among 200 financial advisors with assets under management (AUM) of USD 25M or more from May 3–14, 2024.
- In the US and Australia, data was collected through an online survey among 250 individual investors in each country, who work with a financial advisor and have investable assets (IA) of USD 500K or more, from May 3–28, 2024.

Phase 3: Financial Advisor Interviews

- Eight interviews with US financial advisors with AUM of USD 25M or more, who use model portfolios, were conducted from May 28–30, 2024. These included five model modifiers and three core model users.

Research Methodology

Updated Financial Advisor Segments

- In 2019, we segmented financial advisors as Outsourcer, Modifier and Customizer. For the 2024 research, we have updated the segments to Core Model User, Model Modifier, and Selective Customizer.
- This shift in segmentation aims to be more descriptive and true to how financial advisors responded to the survey questions.

2019 Original Segments	Statements	Statements	2024 Revised Segments
Outsourcers	I use standard model portfolios for my clients and do not modify those model portfolios	I use standard model portfolios for my clients and do not modify those model portfolios	**Core Model Users**
Modifiers	I use a core and satellite strategy to construct my clients' investment portfolios	I use a core and satellite strategy to construct my clients' investment portfolios	
	I use standard model portfolios and modify on a client-by-client basis	I use standard model portfolios and modify on a client-by-client basis	**Model Modifiers**
	I use either model portfolios or create custom investment portfolios depending on a client's assets	I use either model portfolios or create custom investment portfolios depending on a client's assets	**Selective Customizers**
Customizers	I do not use model portfolios, I create custom investment portfolios on a client-by-client basis	I do not use model portfolios, I create custom investment portfolios on a client-by-client basis	

These financial advisor segments were revised based on insights from our advisor survey and interviews, input from the SME interviews, and findings from the Cerulli US Asset Allocation Model Portfolios 2023-2024 report.

Appendix A: Important Disclosures

Important Disclosures

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