# Model portfolios and the evolution of advice

## Unlock time, deepen trust, and enable scale

STATE STREET
INVESTMENT MANAGEMENT

# Contents

# Executive summary

Model portfolios are now widely used. But investors want more than just easy access to the market—they're looking for personalized guidance that fits their goals, values, and life plans.

To meet this growing demand for outcome-driven financial planning, the next frontier for advisory practices is model *integration*: using models strategically to improve investment operations AND elevate the client experience. This can help advisors scale without sacrificing service.

## Key insights

State Street Investment Management Center for Investor Research conducted an extensive survey—Model Portfolios: Adaptive Solutions for Advisory Growth—to learn how models are being used by advisors as well as how advisors and their clients perceive advice. Here's what we discovered:

**Model portfolios are mainstream.** Among advisors surveyed, 96% use models in some capacity.[1] They're no longer seen as emerging tools but are central to how advisors manage their practice and deliver value. When choosing model providers, advisors want strong partnerships, clear communication, and alignment with their investment philosophy and client experience—not just performance.

**Tax personalization continues to drive interest.** Among those surveyed, 85% of advisors agree tax personalization is a key benefit of using models.[2] For clients with nonqualified accounts, advisors want tools like tax overlays and direct indexing that allow them to fine-tune outcomes without handpicking every portfolio. Technology is making this easier, to the benefit of advisors and clients.

**Investment management still takes time.** Even with models, many advisors stay hands-on—either to keep control, customize or modify the model to fit a client's investment goals, or because of how they think clients might perceive the use of a standard model. But model portfolios are becoming increasingly modular and flexible, letting advisors stay involved while still freeing up more of their time for client service. Those who outsource investment management to a model provider spend about half as much time (11.8%) on tasks like research, due diligence, and trading compared to those who don't use models or build their own (22.4%).[3]

**Perception is powerful.** Among advisors, 51% customize portfolios because they believe clients expect it.[4] But when clients understand the practice's process and how models support their goals, their satisfaction increases—including how they view fees and engagement with their advisor—even if portfolios are not highly customized.

## Challenges and actionable solutions

Based on our research, three common challenges emerged:

1. Advisor and client expectations are not aligned.
2. Value propositions are undefined or unclear.
3. Client segmentation strategies rely too heavily on AUM or age.

We help you explore actionable solutions for each:

1. Educate clients to understand the value of models.
2. Clarify and document what differentiates your practice's value.
3. Segment clients by planning complexity, account type, and how they like to engage.

## Real-world examples

Take a closer look at how advisors are flexibly and successfully addressing key challenges for three client types:

- Business owners
- Retirees focused on income
- Millennials with equity compensation who are values-driven

## Making models work for you

Model portfolios vary in design and flexibility. Their true value shows when they're used with purpose—supported by a clear strategy, the right model provider relationship, and a strong commitment to client education. When done well, models help advisors scale efficiently *and* enhance client satisfaction. The bottom line is, model integration turns time saved into time better spent: building stronger relationships, offering personalized advice, and delivering long-term value.

# A new equation for advisory success

## Time, trust, and tailored models at scale

Time is limited. And clients expect advisors to spend that time on them—their goals, concerns, long-term plans, and portfolios. Our latest research backs this up: nearly two-thirds of US and three-quarters of Australian investors want more personalized advice that covers their full financial picture.[5]

Clients want advice that reflects what matters most to them in their financial lives and the outcomes they want to achieve. Delivering that kind of personalized experience takes time, and advisors are also focused on growing their capacity to serve more clients. The challenge is finding ways to scale without sacrificing the quality of the client experience.

That's the calculus behind the growth of model portfolios. Today, 96% of advisors use models in some way.[6] They save time, improve operations, and help advisors scale without compromising standards. For clients, they can provide tax efficiency, planning integration, and disciplined portfolio management—all while enabling deeper engagement with their advisor.

Still, model portfolios are not one-size-fits-all or set-it-and-forget-it solutions. Even advisors using models still face challenges, like:

- How do I explain their value to clients?
- Where does personalization fit in?
- When should I customize (too often confused with personalization) and for which clients?

This report strives to answer those questions. It reaffirms the foundational business case—time savings, scale, consistency—and explores how model portfolios have evolved into a core feature of modern advisory practices. It shows how today's leading advisors are using models to meet client needs and expectations. And, importantly, it sheds light on the gaps in perception, positioning, and segmentation that still exist, and offers tools to help close those gaps.

**96%**

of advisors use models in some capacity because they save time, create operational leverage, and help advisors scale—without compromising standards.

> "It's no longer a question of whether advisors are using models in their practice, it's how much they're using them."
>
> – Brendan Powers, CFA, Co-Head of US Product Development and Institutional Practices, Cerulli Associates

# How advisors are using models today

Model portfolios are now a key part of how advisory firms operate. They help standardize workflows, deliver consistent value, and still allow advisors to tailor the client experience.

Explore key findings from our research study on model portfolio integration, including where models are adding the most value and where there's room to improve.

# Performance isn't everything anymore

Performance used to be the top reason advisors chose a model portfolio provider. Back in 2019, 60% of advisors ranked it among their top three criteria.[7] Today, that number has dropped to 29%.

Price and performance still matter, but they're no longer the dominant factors. Advisors now give more weight to strategic alignment with their practice:

- Does the model provider support my investment philosophy?
- Do they offer clear communication, transparency, and helpful resources?
- Can they act as a true partner and extension of my team?

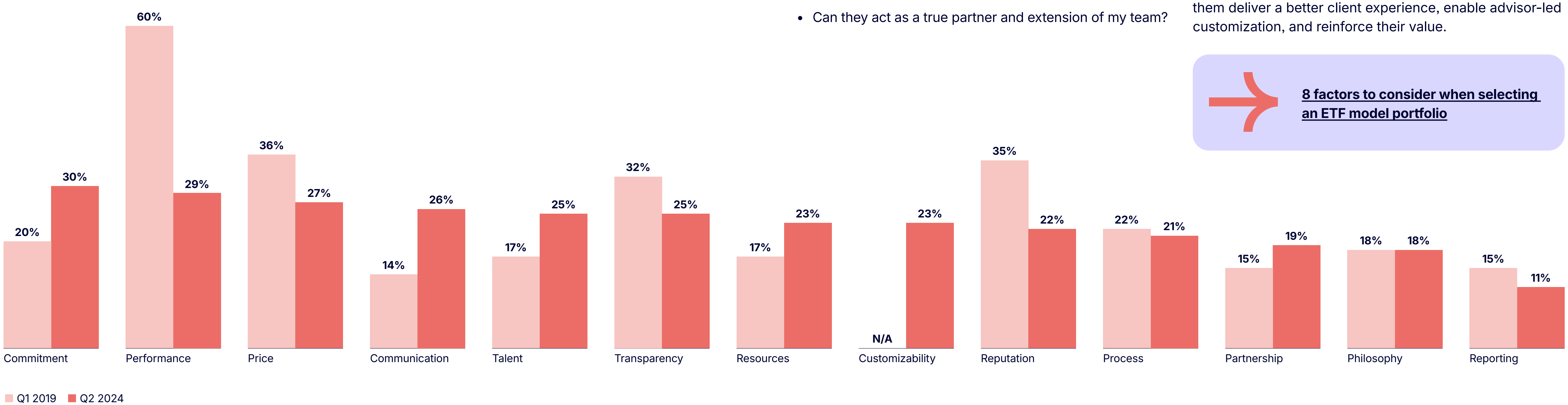
## How advisors are evaluating model providers now

Choosing a model portfolio partner is a big decision. It's not just about performance—it affects how advisors run their practice and serve their clients.

As model portfolios become more central to practice infrastructure, advisors want providers who can can help them deliver a better client experience, enable advisor-led customization, and reinforce their value.

8 factors to consider when selecting an ETF model portfolio

### Figure 1: Top attributes when selecting a model portfolio partner




Source: State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024. Question asked: Please rank the following in order of how important each are when selecting the best model portfolio partner(s)? Ranked top 3 most important when selecting best model partners. Base: Model users.

# Advisors continue to prize tax personalization

Among advisors, 85% agree that tax personalization is a benefit of using models. Among those who agree or are neutral, 84% consider it an important part of the model's overall value proposition.

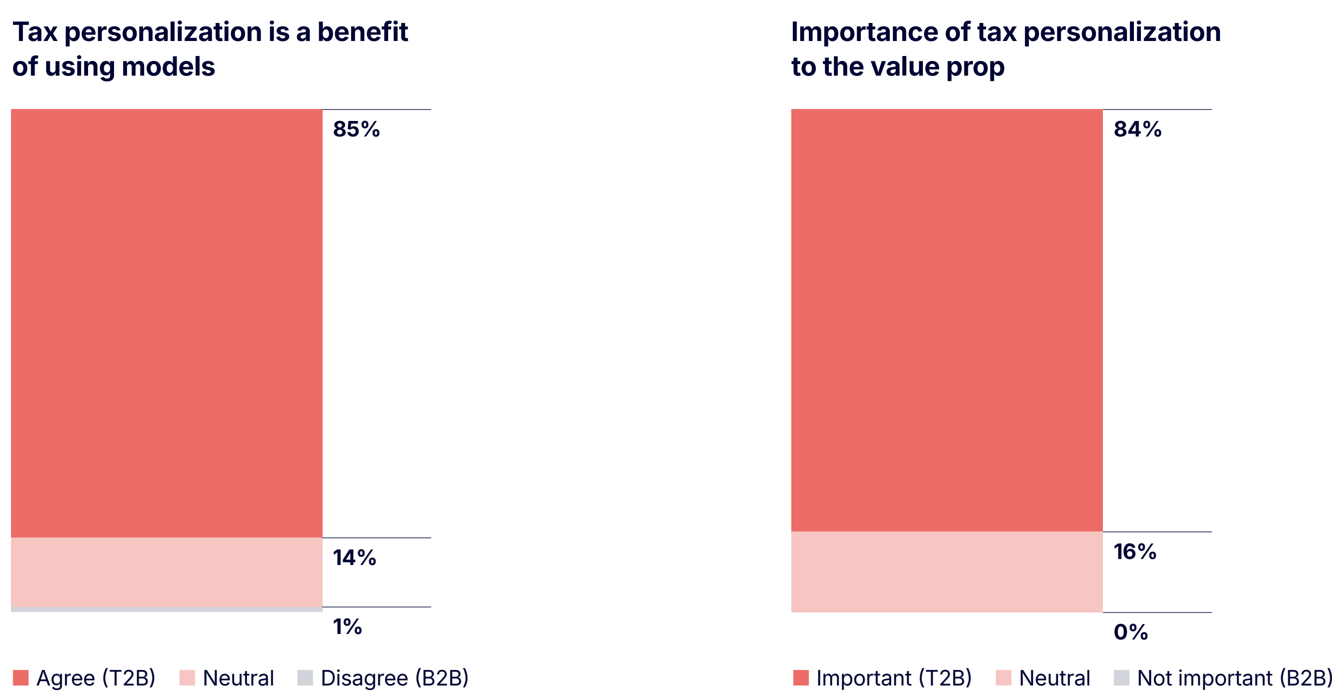
That mirrors what we're seeing in the model marketplace: according to Cerulli, 43% of model providers listed "making models more tax-efficient for taxable clients" as a top priority.[8]

### Technology unlocks customization potential

Tailoring tax advice to a client's specific situation is compelling, especially for those with significant assets in nonqualified accounts. Advisors want the ability to make targeted adjustments, like swapping out tickers or applying tax-aware rebalancing, without overhauling the entire portfolio.

Technology is the engine. Modern platforms can now deliver customization at scale, allowing advisors to preserve model structure while fine-tuning for tax or other client-specific inputs.

**Figure 2: Tax personalization is overwhelmingly important**




Source: State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024. Questions asked: How much do you agree or disagree that tax personalization is a benefit of using model portfolios (5-point scale)? Base: Model users. How important is tax personalization to the overall value proposition of a model portfolio (5-point scale)? Base: Model users who do not disagree with the previous question.

## Customization vs personalization—why the difference matters

Models offer **customization** capabilities, enabling advisors to elevate **personalization** and enhance the client experience.

But the two terms aren't interchangeable.

- **Personalization** is about tailoring the entire advisory experience to a client's goals, needs, and life context.
- **Customization** refers to changes at the portfolio level. And while sometimes necessary, it shouldn't be mistaken as inherently more valuable.

**Why it matters:** Many advisors lean on customization to show value—but informed clients may care more about personalized service, transparency, and understanding.

# Outsourcing frees up more time for client activities

## Advisors are still responsible for client portfolios, even if they outsource construction and rebalancing.

However, those who outsource investment management to a model provider spend almost half as much time (11.8%) on these activities (research, due diligence, trading, etc.) compared to those who don't use models or build their own (22.4%).[9]

The time saved almost exclusively gets redirected to client-facing activities.

### Figure 3: Time allocation estimates across advisor activities

| | Outsourcer (%) | Modifier (%) | Insourcer—practice models (%) | Insourcer—customizer (%) |
|---|---|---|---|---|
| Client-facing activities | 62.5 | 58.0 | 57.3 | 52.1 |
| Investment management | 11.8 | 15.0 | 16.4 | 22.4 |
| Administrative | 20.1 | 23.5 | 22.6 | 21.2 |
| Professional development | 5.5 | 3.5 | 3.8 | 4.3 |

Source: Cerulli Associates, U.S. Asset Allocation Model Portfolios 2024. Analyst note: Client-facing activities included the following: client meetings, preparing for client meetings, prospecting new clients, financial planning (e.g., plan creation), and client service problems. Investment management includes investment research, due diligence and monitoring, and trading and rebalancing. Administrative includes managing day-to-day operations and administration, practice management, and compliance. Practice management includes activities such as business planning, staff development, and marketing.

### Models pipeline trends: Modular, customizable, and planning-focused

In response to advisor demands for greater flexibility and control, model portfolios are evolving.

According to Cerulli, top initiatives include building out custom models for broker/dealer (B/D) and enterprise registered investment advisor (RIA) home offices (57%); making models more tax efficient for taxable clients (43%); incorporating new investment vehicle wrappers, such as separate accounts (39%); and expanding customization potential, including ticker swaps and allocation adjustments (39%).[10]

Model integration isn't cookie-cutter. It's increasingly modular, customizable, and planning-focused. This lets advisors stay connected to investment management while reallocating time to client engagement.

### Top initiatives to evolve model portfolios

**57%**
Building custom models for B/Ds and RIAs

**43%**
Making models more tax efficient

**39%**
Including new investment vehicles

**39%**
Making models more easily customizable

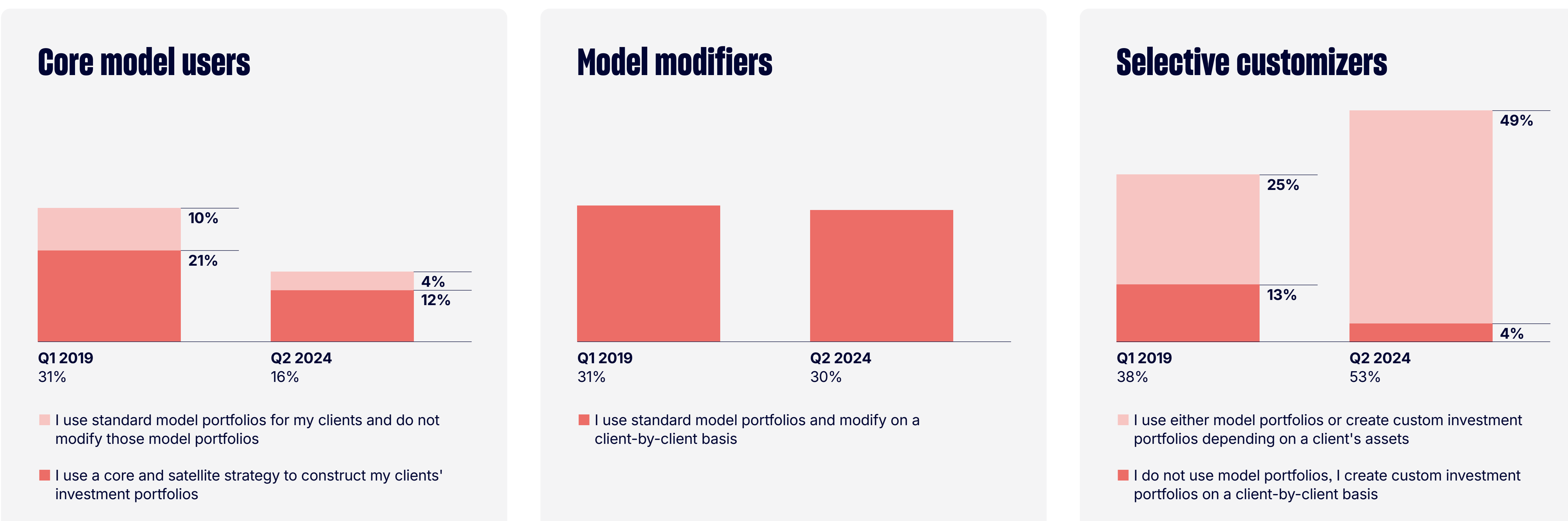
# The middle ground is crowded with modifiers and customizers

Most advisors aren't choosing between full customization or full outsourcing—they're doing a mix of both.

- Nearly eight in 10 advisors now customize portfolios to some degree.[11]
- Roughly 30% modify standard model portfolios on a client-by-client basis.
- And 49% switch between using models and building custom portfolios based on client complexity, tax situations, or asset levels.

This hybrid approach may reflect where advisors are in their journey—testing models, transitioning, or still defining what outsourcing looks like for their practice. It may also point to a belief that selective adjustments help preserve a sense of control. Whatever the motivation, modifiers and customizers have embraced the foundational rationale for models but still want optionality.

**Figure 4: A majority of advisors modify or customize models**




Source: State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024. Question asked: Which one of the following best describes your use of model portfolios (select one)? Base: Total.

# Transforming advisory challenges into growth opportunities

See what challenges advisors say they face today, from client perceptions to due diligence demands. Then, explore how leading practices are turning those challenges into opportunities for growth—by enhancing client communications, refining value propositions, and streamlining operations to scale more effectively.

CHALLENGE

# Clients expect a different kind of value

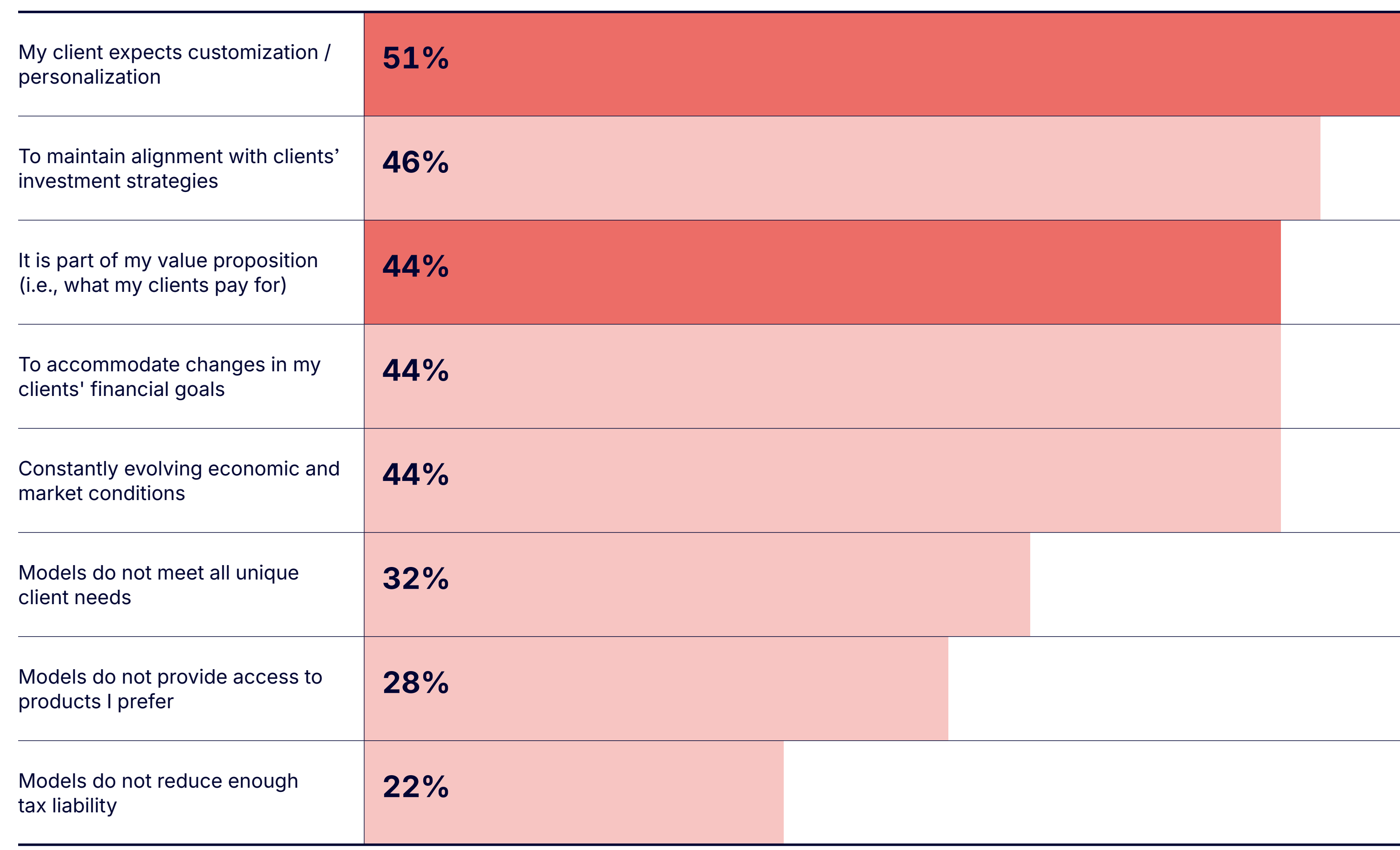
“What would improve the value of services you provide?” Value is subjective. But when we asked advisors this question, the top response was spending more time on intelligent financial planning.[12] And, that makes sense.

More time working with clients to outline a path to their goals—and discuss potential hurdles—should lead to a more personalized experience for the client and a higher likelihood of achieving desired outcomes. That’s objectively valuable.

It’s no surprise, then, that about half of advisors prioritize customization to show they’re involved. But here’s the catch: clients don’t always expect customization.

Our research shows that when clients know they’re in a model—and understand how it connects to their financial plan—satisfaction increases significantly.

**Figure 5: Why do advisors modify models or customize portfolios?**




Source: State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024. Question asked: Why do you modify existing models or create custom portfolios for certain clients (select all that apply.)? Base: Use core and satellite, modify models, use models depending on assets.

SOLUTION

# Transparency can build trust and boost satisfaction

Clients engaged with advisors focused on outcome-driven planning care more about results, clarity, and communication than whether their portfolio was built from scratch. Model portfolios can help deliver value, but only when clients understand what models are, how they work, and why they're being used.

Among US investors who know they're in a model portfolio:[13]

**95%** say their advisor walked them through the model chosen

**95%** feel the portfolio is designed to meet their financial goals

**86%** feel involved in the process

Australian investors echo these sentiments:

**78%** say their advisor walked them through the model chosen

**88%** feel that their portfolio is designed to meet their financial goals

**85%** feel involved in the overall process

And when investors know their assets are in a model, satisfaction with fees jumps significantly: 79% in the US and 73% in Australia say they're satisfied with the fees they pay for the value they receive, compared to just 56% and 55%, respectively, with no assets in models.

An outcome-driven approach to wealth management aligns investment strategies with each client's financial goals—not market benchmarks—and places greater emphasis on holistic planning, personalized guidance, and measurable progress toward defined outcomes.[14]

**Figure 6: Investors in models report being more satisfied with fees**
Satisfied with fees for value of services

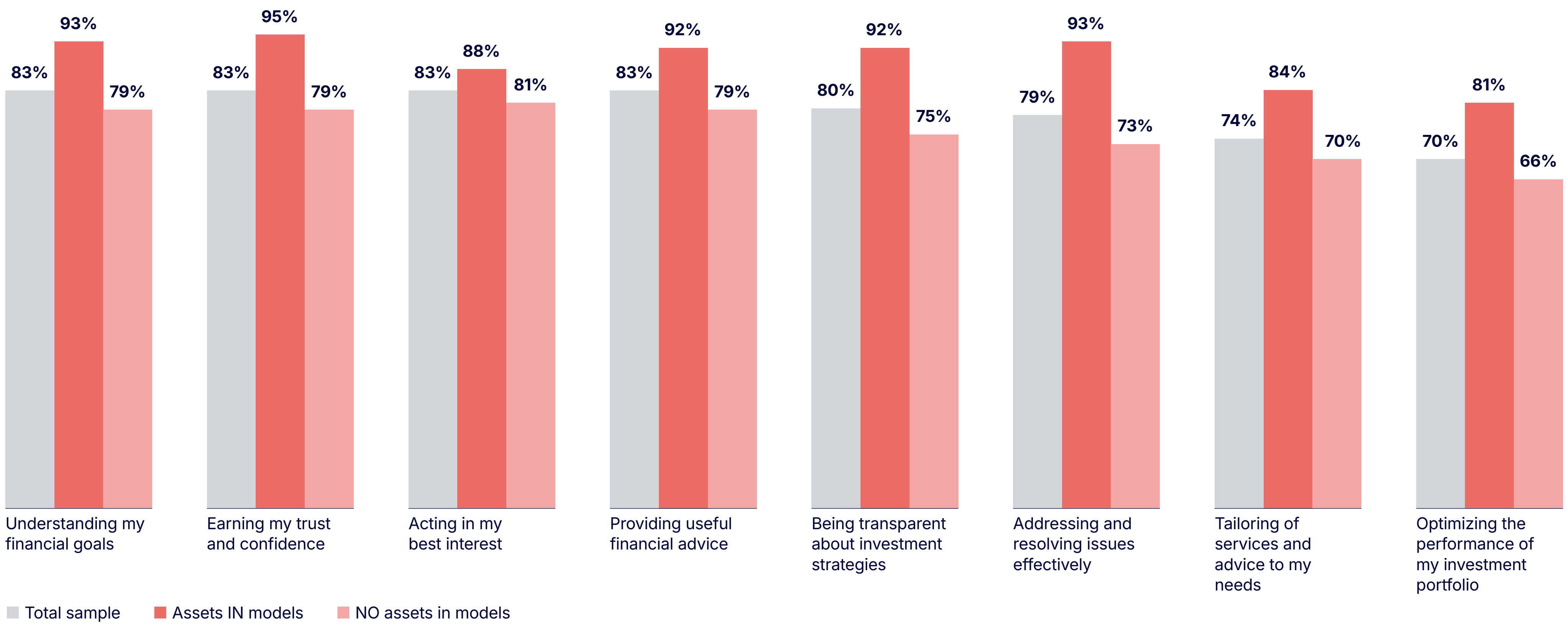

Source: State Street Investment Management, The Centre for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024. Showing percentage of investors who selected the top two boxes for the question asked: How satisfied are you with the fees you pay for the value of services you receive? 5-point scale, where 1 = not at all satisfied and 5 = extremely satisfied.

## Communication and education help shape expectations

Investors who know they're in a model portfolio tend to be more satisfied with their advisors overall and are more likely to say that non-performance factors (e.g., having more time with their advisor or clear explanations) would strengthen the relationship.

In other words, education helps move the value conversation beyond one solely focused on performance to one that considers the holistic advisory client experience.

### Figure 7: Model use correlates to higher investor satisfaction levels




Source: State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024. Question asked: How satisfied are you with each of the following qualities of your financial advisor (5-point scale)? Respondents selected top two boxes. Base: Total sample.

## How to explain models and your investment management strategy

Potentially improve investor satisfaction by clearly explaining your model choice and the process behind your approach.

Whether you're introducing the concept to a new client or reframing it for someone used to customized portfolios, here are five key messages that can help:

1. **Start with your investment philosophy.** Share how you use disciplined, research-based principles to stay consistent, efficient, and in tune with the market.
2. **Reinforce your role.** Models bring institutional-level support to portfolio oversight, so that you can focus on managing risk, adapting to market conditions, and making the best decisions for your client.
3. **Connect to outcomes.** Show how the chosen model portfolio aligns to your client's risk profile and financial goals.
4. **Explain how you do personalize.** You tailor advice based on a client's needs, account type, and preferences—from tax considerations to drawdown strategies.
5. **Show the value.** Models amplify your advisory role, unlocking time for deeper conversations, more proactive guidance, and a more meaningful client experience.

CHALLENGE

# Bridge the value gap

To some investors, the word "model" can sound generic—like a copy or template. That perception can lead to confusion, fee sensitivity, and doubt about the value they're receiving.

Our research shows that among investors aware of models but not currently invested in them:

- About 70% said a "lack of individual tailoring" was a disadvantage of model portfolios[15]
- A similar number of Australian investors share this concern, and also say that their advisor "would not regularly add value for the fees I'm paying"

These concerns point to a deeper issue: a disconnect between how advisors think about their strategy and how they explain it to clients. Yet only 30% of advisors say sharpening their client value proposition is a near-term goal.

**~7 in 10**

US investors said a "lack of individual tailoring" was a disadvantage of model portfolios.

> "If advisors don't really know or communicate what their value proposition is, then it's hard to say how a model portfolio is going to be beneficial. And if clients are not sure what they're paying for, if they don't understand the fees, it becomes quite confusing why a model portfolio is in their best interest."

– Marg Franklin, President and CEO at the CFA Institute

# Sharpen your value proposition with a clear, documented message

What is your value proposition?

It sounds simple but even experienced advisors can struggle to answer clearly. In our research, some responses conveyed a purposeful, defined focus. Others were more open-ended or lacked differentiation.

**Undefined messaging:**

"Well, at this point in time, **it's really just my character and me as a person that hopefully shines through.** And then just kind of what I've personally been through, not only professionally, but personally."

**Defined messaging:**

"We talk about how we have **specialized our practice** in retirement transition planning, high-net-worth wealth management, or business succession planning, depending on who we're talking to, and **illustrate how that expertise makes us better for them.**"

A clearly articulated value proposition helps clients understand what they're getting, how it connects to their goals, and why it's worth the fees they pay. When your value proposition is vague or unspoken, clients may fill in the blanks—and that's when skepticism about fees, value, and even portfolio construction tends to creep in.

Just like any professional relationship, the more confident, clearly communicated, and connected to outcomes your approach feels, the more trust you build.

And our research underscores this. In fact, 62% of investors say, "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."[16] That means a majority of clients likely do not expect or need a bespoke portfolio to feel like they're getting their money's worth.

## The power of communicating the "why"

The thinking behind your model selection may be sophisticated, but your message to clients shouldn't be. Clients care more about where they're going financially than the technical details of how they get there. That's why it's important to shift the conversation from portfolio construction to life-centered outcomes, where financial planning, behavioral guidance, and investment oversight all work together.

When the *why* is well communicated, it elevates the *what*: the full value of your advice and the relationship you build with your client.

To communicate your value effectively—and how models can support it—align these four key elements:

1. A clear investment philosophy
2. A scalable business model that supports growth without sacrificing service
3. A personalized client experience
4. A communication strategy that explains the role of models in your process

Developing and aligning these elements is a strategic way to build trust and long-term satisfaction.

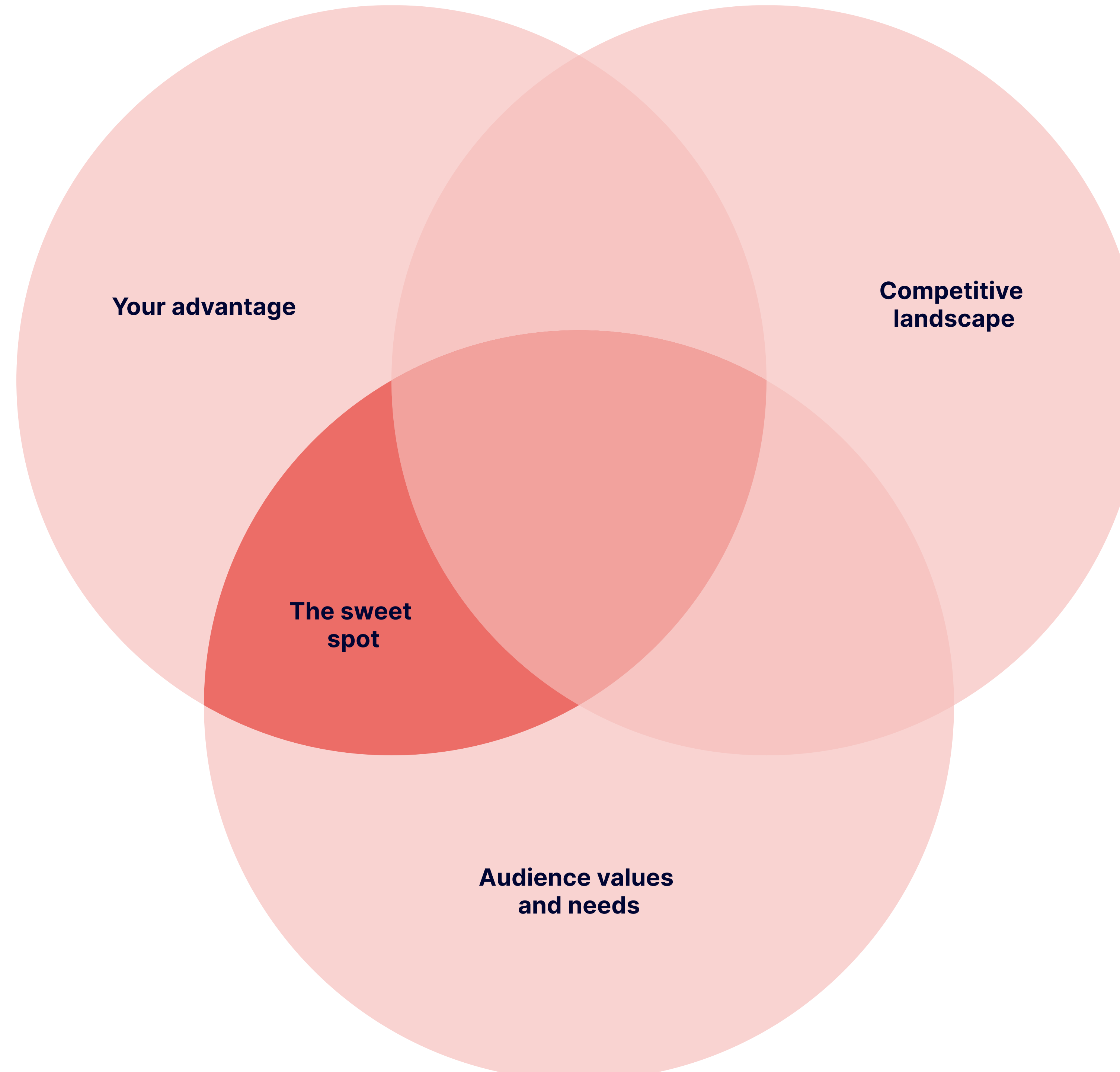
# Don't just describe your value, define it

Your value proposition is the strategic anchor of your business. It should succinctly explain how your practice helps clients—and it can be found by assessing three key areas:

| | | |
|---|---|---|
| **1** | **Determine your authentic value-add** | What sets you apart? Whether it's your planning depth, investment discipline, high-touch service, or creative thinking—identify the unique value your practice consistently delivers. Then, make sure it aligns with your business strategy. |
| **2** | **Evaluate the competitive landscape** | How do your peers position themselves? Know your top competitors, understand their messaging, and clarify how your offer stands out. This helps you own your lane—and defend it. |
| **3** | **Assess your audience's needs and values** | Your value prop should speak to more than just clients. It should resonate with centers of influence, future team members, potential acquirers, and even the media. Know what each group values most and flex your messaging appropriately. |

The sweet spot is where your value-add overlaps with what clients need. It is unique to you and stands apart from other competitor offerings.

**Figure 8: Find the sweet spot and define your value proposition**




Source: For illustrative purposes only. State Street Investment Management.

CHALLENGE

# Traditional client segmentation falls short

Some clients will always need a degree of portfolio customization. But the real question is: which clients and why?

Many advisors default to segmenting clients by assets under management (AUM) or age. While this can be directionally useful (i.e., less wealth may correlate with less complexity), it rarely tells the whole story.

Segmenting only by account size or demographics can cause practices to overlook deeper, more relevant factors that influence planning needs, including:

- The number and types of accounts held
- How complex their tax situation is
- How they prefer to communicate
- What level of service or responsiveness they expect
- Emotional or behavioral drivers behind financial decisions

So while default segmentation can offer efficiency, it may fall short of supporting a truly holistic approach to service. And that may limit practice growth, reduce satisfaction, and weaken long-term alignment.

SOLUTION

# Customize based on enhanced client segmentation

A smarter segmentation approach starts with a planning-first lens that looks at how the client engages with you, what outcomes they care about, and any constraints or unique details in their financial picture.

This approach helps guide model portfolio selection and customization decisions—so you can tailor your strategy as needed, while protecting your time and keeping the model's integrity intact.

Even HNW and UHNW clients don't always need bespoke portfolios. With the right segmentation framework and planning coordination, many clients can be effectively served with models, especially when those portfolios are paired with tech-enabled enhancements.

The goal of segmentation is to help allocate time and resources more intentionally, so you can serve clients better and scale your practice with confidence.

### Key segmentation areas to consider

| Segmentation area | Criteria |
|---|---|
| **Account type** | • Qualified<br>• Nonqualified (e.g., high embedded gains, tax sensitivity) |
| **Complexity of needs** | • Multiple accounts or entities<br>• Unique planning scenarios (e.g., trusts, legacy assets) |
| **Investment objectives** | • Income generation<br>• Capital growth<br>• Tax efficiency<br>• Aligned to personal values |
| **Engagement level** | • Delegators who prefer advisor to lead<br>• Validators who want input, but not control<br>• Hands-on decision-makers |

# Model portfolios in action

The following hypothetical case studies show how you can potentially use model portfolios to address the needs of different client segments.

Each scenario walks through:

- Key challenges
- How model portfolios can be integrated
- Communication strategies to elevate the client experience
- Efficiencies you can gain through segmentation and planning

These examples highlight how flexible models—paired with clear messaging and smart segmentation—can help advisors deliver personalized service, build trust, and scale your practice.

CASE STUDY 1

# Tax-aware business owners

## Client segment

Business owners in their 40s and 50s with irregular income, significant assets in nonqualified accounts, and a strong desire to manage tax exposure without giving up long-term growth potential.

## Segment complexity

- High unrealized capital gains
- Income variability due to business distributions
- Multiple account structures (e.g., personal, joint, trust)
- Preference for low-turnover strategies, to reduce overall tax liability
- Need for a portfolio structure that integrates with charitable giving or legacy planning
- Desire to smooth out earnings for more efficient tax location

## Advisor challenge

Keep the portfolio growth-focused while reducing tax impact, simplify oversight across accounts, and connect the investment strategy to broader planning goals.

## Model portfolio approach

The advisor chooses a long-term growth model portfolio that blends active and passive strategies. Through the platform, the advisor is able to:

- Apply a tax overlay and direct indexing strategies to generate tax alpha
- Retain high-conviction legacy positions in satellite sleeves without disrupting the model's structure
- Integrate low cost basis legacy positions with direct indexing strategies or incorporate core-satellite approach[17]

## Communication strategy

The advisor frames the tax-aware model as part of the client's overall financial plan, increasing after-tax efficiency across all accounts. During portfolio reviews, they:

- Walk clients through the model's structure and explain the role of the tax overlay
- Clarify how legacy holdings are handled
- Share reporting materials (via the model partner) to show how gains are managed and aligned with the broader strategy

Model provider support includes:

- Trade rationale summaries that can be adapted for client conversations
- Visual planning tools to show before- and after-tax impacts
- Ongoing education materials to reinforce the strategic use of tax overlays

## Outcome

The advisor built around this client's tax constraints without starting from scratch. By choosing a core model with embedded tax-aware capabilities, the advisor preserved efficiency, delegated key operational tasks to the model provider, and avoided the need to rebuild portfolios from square one.

The results:

- Lower realized capital gains and overall tax liability
- Clear, consistent investment messaging across accounts
- Strategic planning conversations around gifting appreciated securities and coordinating capital gains with charitable intent

CASE STUDY 2

# Income-focused retirees

## Client segment

Retirees or near-retirees with moderate risk tolerance who want stable and predictable income and minimal day-to-day involvement in managing their portfolio—they care most about capital preservation, cash flow, and simplicity.

## Segment complexity

- Shifting from saving to spending (decumulation)
- Managing required minimum distributions (RMDs) or reverse dollar-cost averaging
- Relying on portfolio for supplemental income, though they may have pensions or social security
- Preferring low-volatility, income-generating strategies with few rebalancing surprises
- Avoiding complexity or active trading

## Advisor challenge

Design a strategy that provides sustainable, tax-efficient income while managing downside risk. Then package it in a way that's easy for the client to understand, trust, and stick with.

## Model portfolio approach

The advisor selects a multi-asset income model focused on:

- Diversified exposure to income-generating assets (e.g., dividend-paying equities, investment-grade bonds, REITs)
- Systematic distribution features that allow for predictable monthly or quarterly cash flow
- Modest allocation to growth assets to protect against inflation risk
- Low turnover to reduce disruptions and tax inefficiencies

## Communication strategy

The advisor uses planning conversations to:

- Show how the model supports spending needs and reduces reliance on principal
- Explain where income comes from within the model (e.g., dividends, interest, cash buffers)
- Show how the model adjusts to market conditions while protecting downside

Model provider support may include:

- Income forecasting tools and withdrawal illustrations
- Rebalancing documentation to help explain portfolio adjustments
- Reporting that maps cash flow to client spending needs

## Outcome

- A simplified investment experience tailored to decumulation
- Fewer reactive calls or reallocation requests during market volatility
- More productive conversations about lifestyle goals—not just portfolio performance

CASE STUDY 3

# Values-oriented millennials with equity compensation

## Client segment

Millennials working in tech or other high-growth industries with concentrated equity positions, growing incomes, and strong values-based preferences (e.g., sustainability)—they want guidance that reflects their financial complexity and their personal convictions.

## Segment complexity

- Significant portion of wealth tied up in company stock, restricted stock units (RSUs), or stock options
- Highly engaged but typically time-constrained or uncertain about where to start
- May hold strong preferences around sustainable investing or corporate practices
- Early in the planning journey, but aware of the need for tax efficiency and diversification
- Desire for impact-driven investments without giving up performance

## Advisor challenge

Help the client diversify away from concentrated equity risk, align their investments with their values, and build a portfolio that supports financial goals as well as personal identity—all while simplifying a decision process that can feel overwhelming.

## Model portfolio approach

The advisor chooses a core-satellite structure, anchored by a values-based model portfolio that enables:

- Sustainability-focused asset selection
- Thematic tilts that reflect client's values (e.g., clean energy)
- Satellite positions in company stock, direct indexing, or high-conviction active strategies
- Overlay options to manage tax efficiency, coupled with equity comp planning

## Communication strategy

The advisor centers conversations around values alignment, risk tolerance, opportunity, and flexibility and explains:

- Why the model was selected and how it fits the client's thematic preferences
- How the structure balances personal conviction with performance
- How future liquidity events (e.g., RSU vesting, IPOs) can be managed using the model as a flexible core

Model provider support may include:

- Curated sustainable or thematic model choices across multiple risk profiles
- Tax-aware transition tools for concentrated equity positions
- Education materials on sustainable investing and responsible capital allocation

## Outcome

- A values-aligned investment strategy that integrates seamlessly into financial planning
- Reduced concentration risk and improved diversification
- Stronger client engagement due to shared ownership of the investment process

# Unlocking time, trust, and scale—one model at a time

In this industry, time is everything. Model portfolios don't just help advisors reclaim time—they help you use it better.

Models enable advisors to deliver what clients value most:

- Personalized planning
- Proactive guidance
- Portfolio solutions aligned to their goals

By segmenting client needs, customizing with purpose, and clearly explaining how selected models support long-term goals, advisory practices can scale their service without losing relevance or personalization.

Our research shows that when clients understand:

- Why a model was selected
- How it fits into their financial plan

Their satisfaction increases, from their engagement and perception of your value to confidence in the relationship. And with growing support from model providers—including trade rationale, marketing tools, education content, and even direct-to-client engagement—advisors can elevate the client experience while reinforcing their value proposition.

## Model portfolios aren't a one-size-fits-all solution

But they are a powerful strategic tool. One that helps advisors deepen relationships, deliver differentiated value, and unlock the time and scale needed to grow their practice—without compromising service.

> "It's not how much money a person makes—it's the decisions they make that matter most. Investments are the tool to fund the choices clients face each day."
>
> – Mark Tibergien, Independent Board Member; Retired CEO of Pershing Advisor Solutions

# Research methodology

State Street Investment Management's Center for Investor Research, in partnership with A2Bplanning and Prodege, conducted a research study from March to May 2024, following a three-phased approach:

1. **Quantitative:** Fielded two online surveys among financial advisors and individual investors.
   - In the US, data was collected among 200 financial advisors with AUM of US$25M or more, from May 3–14, 2024
   - In the US and Australia, data was collected among 250 individual investors in each country, who work with a financial advisor and have investable assets (IA) of US$500K or more, from May 3–28, 2024
2. **Qualitative:** Conducted eight in-depth interviews with US financial advisors with AUM of US$25M or more, who use model portfolios, from May 28–30, 2024. These included five model modifiers and three core model users.
3. **Subject matter expert interviews:** Conducted three tailored conversations with subject matter experts in the US to provide context on current model portfolio solutions and marketplace trends.

Building on our foundational 2019 study, the 2024 research 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.

In 2019, we categorized financial advisors as outsourcers, modifiers, and customizers. For the 2024 research, we updated the segments to core model users, model modifiers, and selective customizers. This shift in segmentation aims to be more descriptive and truer to how financial advisors responded to the survey questions.

| 2019 Original segments | 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 | |

# Model portfolio solutions to meet unique investment needs

Our model portfolios are more than just sophisticated, efficient solutions. State Street ETF Model Portfolios are powered by the same team, process, and infrastructure that have made State Street one of the world's leading managers for pensions, sovereign wealth funds, central banks, and other large institutions—and the world's 4th largest asset manager by AUM.[18]

## Visit our model portfolio hub

Explore how ETF model portfolios can help you scale your practice.

## Get in touch with us

For more insights, connect with your State Street Investment Management representative.

## Explore more resources

Access timely, end-to-end support to help you deliver institutional-caliber portfolio management and insights to your clients. Find information to help you assess, select, and deploy models, and practice management resources.

# Getting there starts here with State Street Investment Management

State Street Investment Management serves governments, institutions and financial advisors with a rigorous approach, breadth of capabilities and belief that good stewardship is good investing for the long term. As pioneers in index and ETF investing and the world's fourth-largest asset manager,[19] we are always inventing new ways to invest.

**US$5.1T**

in assets [20]

**US$2.95T**

in AUM with institutional clients[21]

**US$1.42T**

in AUM with financial intermediary clients[22]

**1st**

US's first, and world's most traded, ETF[23]

**45 yrs**

managing investments

**58**

countries with clients[24]

**11**

global investment centers[25]

## Endnotes

1 State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024.

2 State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024.

3 Cerulli, U.S. Asset Allocation Model Portfolios 2024.

4 State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024.

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8 Cerulli Associates, U.S. Asset Allocation Model Portfolios 2024.

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11 State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024.

12 State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024.

13 State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024.

14 McKinsey & Company, The Wealth Management Agenda: Why Firms Must Become More Outcome-Driven, March 2023.

15 State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024. Question asked: 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' if assets are in model portfolios.

16 State Street Investment Management, The Center for Investor Research, Model Portfolios: Adaptive Solutions for Advisory Growth, 2024.

17 In some instances, advisors may choose to manage around low cost legacy positions to help optimize risk and return to be more similar to their managed model portfolios.

18 Pensions & Investments Research Center, as of December 31, 2023.

19 Pensions & Investments Research Center, as of December 31, 2023.

20 This figure is presented as of June 30, 2025, and includes ETF AUM of $1,689.8B USD of which approximately $116.3B USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

21 State Street Investment Management Finance.

22 State Street Investment Management Finance.

23 Bloomberg Finance, L.P., as of March 31, 2025.

24 As of June 30, 2024.

25 As of June 30, 2025.

## statestreet.com/investment-management

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**Marketing Communication**

**Important Risk Information**

**State Street Investment Management Worldwide Entities**

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