



TECHNOLOGY

LPL Makes Its Model Wealth Portfolio Platform More Attractive to Advisors

The independent broker/dealer is making it a lot easier—and less expensive—for advisors to run their own portfolios within its centrally managed account platform.

Diana Britton | Dec 20, 2018

LPL Financial is making improvements to its centrally managed Model Wealth Portfolio platform, including lowering pricing, adding separately managed accounts and risk scores, as well as allowing advisors to trade their models like a strategist on the platform. Advisors who are part of the pilot program for the changes, coming

next year, say the improvements are going to make it easier—and less expensive—for them to do business.

The MWP platform is LPL's professionally managed mutual fund and exchange traded fund asset allocation program managed and advised by the independent broker/dealer. That's in contrast to its Strategic Asset Management advisory platform, which allows advisors to run their own portfolios.

Perhaps the biggest change to MWP is the addition of the "Advisor Sleeve," LPL's term for the ability of advisors to put their models on the platform. Previously, the platform allowed advisors to outsource portfolio management to strategists, including BlackRock, J.P. Morgan and LPL's internal research. They can use up to three different strategists, but now one of those strategists can be the advisor, allowing for customization of all or a portion of their clients' portfolios however they choose to allocate.

"Advisors need resources to bring scale to their operations, and Advisor Sleeve lets them continue to offer their clients portfolio construction expertise, while gaining time to spend on other wealth management activities that have the potential to reinforce and expand their value to clients," said Rob Pettman, EVP of Product and Platform Management at LPL, in a statement. "It provides advisors control over the investment management and the flexibility to build their own models. And it creates efficiency, as they save time by outsourcing trading and rebalancing to LPL."

For a platform fee (which has come down significantly over the years), LPL handles the trading and rebalancing. In the SAM platform, advisors have to trade the portfolio, monitor it, rebalance it and incur the transaction costs anytime they rebalance it.

"When you're doing it customized by yourself, you're doing the trading, you're doing the rebalancing, which is a foolish use of an advisor's time," said Kashif A. Ahmed, a member of the pilot program and founder and president of American Private Wealth.

Ahmed also serves as a professor of finance at Suffolk University in Boston, so he wasn't a big adopter of the MWP platform previously. His clients expected him to create the portfolios himself.

“One of the reasons I didn't adopt MWP—well, if people are coming to me because I'm big professor on investment and I'm not actually picking the investments, then what are they getting from me that they can't get somewhere else?” he said. “So for me to be able to really build my own model but the day-to-day management I can outsource to MWP, it's very helpful. It'll cause me to increase the adoption of MWP from my book.”

Curtis Chambers, an advisor with Chambers Financial Group in Largo, Fla., who's also in the pilot program, has been an advocate for the MWP platform. But it was too “cookie-cutter,” he said.

“Most advisors—we don't want to just do a portfolio that's kind of pre-determined,” he said. “We want to have input on that portfolio. And yet, we don't need to be sitting on a computer all day, rebalancing portfolios and things that are better done by a computer.”

Advisor Sleeve provides that ability to customize, he said. It also allows advisors to better monitor risks in a portfolio. One new feature, Chambers said, is that if advisors make changes to the portfolio, the system will provide a risk score on a scale from one to 100.

“One of the problems with portfolios, when you're managing them so often, you're trying to manage that risk; it's easy to get something off,” Chambers said. “So I think that gives us an extra check and balance on where our risk is. So we're customizing portfolios but we're also getting, in real time, immediate feedback in terms of a point score.”

Abby Salameh, chief marketing officer at Private Advisor Group, a registered investment advisor and super office of special jurisdiction of LPL in Morristown,

N.J., said her firm had about \$700 million on the MWP platform last year, and that has grown to \$1.2 billion this year, as advisors recognize the benefits of using models. But she expects the new Advisor Sleeve to be appealing to the firm and its advisors.

“Having the ability to load your models onto the MWP platform will deliver a few key benefits to the advisor: easier to manage because they will have the ability to conduct automated rebalancing, outsourcing the actual trading to the system, lower cost as the entire model will be put on the MWP program fee schedule, the ability to leverage the technology to scale the business,” she said.

Overall, LPL has lowered the pricing dramatically for advisors on the MWP platform.

“Back in the old days, when I first started at LPL, the pricing on MWP was essentially prohibitive,” Chambers said. “It was so expensive that nobody used MWP.”

Robert Russo, founder and CEO of Independent Advisor Alliance in Charlotte, N.C., an OSJ with LPL, has some advisors in the pilot program. He believes that pricing has come down 50 percent since the platform was launched in 2008.

Not only have the platform fees come down, but so have the strategists' fees. In fact, in the last year, LPL reduced its internal research model fee to zero. So, depending on which strategist you choose and how many assets you put on the platform, the all-in cost could be as low as 15 to 20 basis points, Russo said. The firm is expected to reduce pricing even more next year.

LPL also eliminated a \$40 annual IRA custodial fee, Ahmed said.

Another change coming in late 2019, Russo says, is the addition of LPL's Manager Select SMAs platform to MWP.

“The reason people don’t do SMAs is because of the difficulty at the time of using them with the client experience,” he said. “Now, if it’s all in one account, that totally changes the game there.”

“I think MWP—if anybody’s paying attention—is going to be the flagship platform that LPL is pushing really hard,” Ahmed said. “All of these changes that they’re making are really basically to drive everybody to have more and more adoption of not just centrally managed platforms, but specifically MWP.”

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