

Smarter portfolios, stronger client relationships:

## The adviser case for Model Portfolio Services

UK advice firms are operating in a more complex, regulated and competitive environment than ever before.

Building and managing portfolios in-house can absorb time, increase governance risk and distract from the areas where advisers can deliver the most value to their clients. With more advisers choosing third-party Model Portfolio Services (MPS), we explore the key benefits, trade-offs and considerations for outsourcing your investment proposition.

### UK advice firms are embracing MPS opportunities

20%

of UK wealth management AUM in MPS solutions<sup>1</sup>

50%

of advisers use third-party MPS with some of their clients<sup>1</sup>

### A shifting landscape

The decision environment for advice firms has changed. A growing range of **managed portfolio solutions (MPS)** and **multi-asset funds**, combined with an evolving regulatory landscape, means advice firms need to regularly reassess whether in-house portfolio management still supports the best client outcomes and sustainable business growth.

Outsourcing is no longer a niche decision. Many firms already outsource some or all of their investment proposition—and adoption continues to rise as advisers focus on efficiency, risk management and client experience.

### Outsourcing frees advisers to focus on higher-value work

**Time** Evidence<sup>2</sup> suggests that advisers can achieve significant time savings from outsourcing their investment management process—time that can be redeployed into more impactful client-facing activities.

**Value** Adding investment alpha through custom-built portfolios is challenging. Research<sup>3</sup> suggests that advisers can deliver greater value to their clients from activities that fall outside of portfolio management, including financial planning, behavioural coaching and relationship-oriented services.

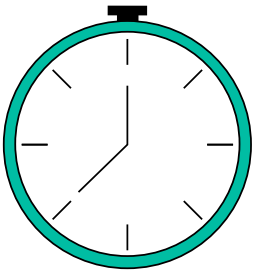
**Risk** Building portfolios in-house carries significant risk, which can be mitigated with outsourced investment solutions that align with Consumer Duty outcomes.

**We expand on these benefits in the subsequent pages.**

<sup>1</sup> Platform, MPS Report 2025.

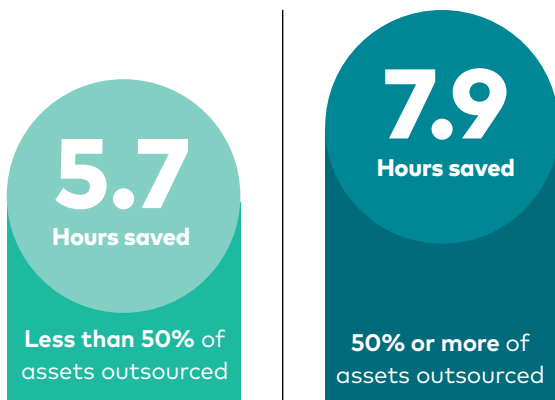
<sup>2</sup> Assetmark, *The Impact of Outsourcing*, 2022.

<sup>3</sup> Vanguard, *Quantifying Adviser's Alpha® in the UK: Putting a value on your value*, 2025.



# Time

## Hours per week saved by investment outsourcing<sup>4</sup>



Additionally, the research showed considerable practice management benefits for advisers, which also increased as the level of assets outsourced rose.

“The more services that advisers outsourced, the greater the time savings achieved.”

## Quantitative and qualitative

Research<sup>4</sup> shows that investment outsourcing has helped advisers achieve considerable time savings. It also found the more services that advisers outsourced, the greater the time savings achieved.

### The more advisers outsource, the greater the benefits

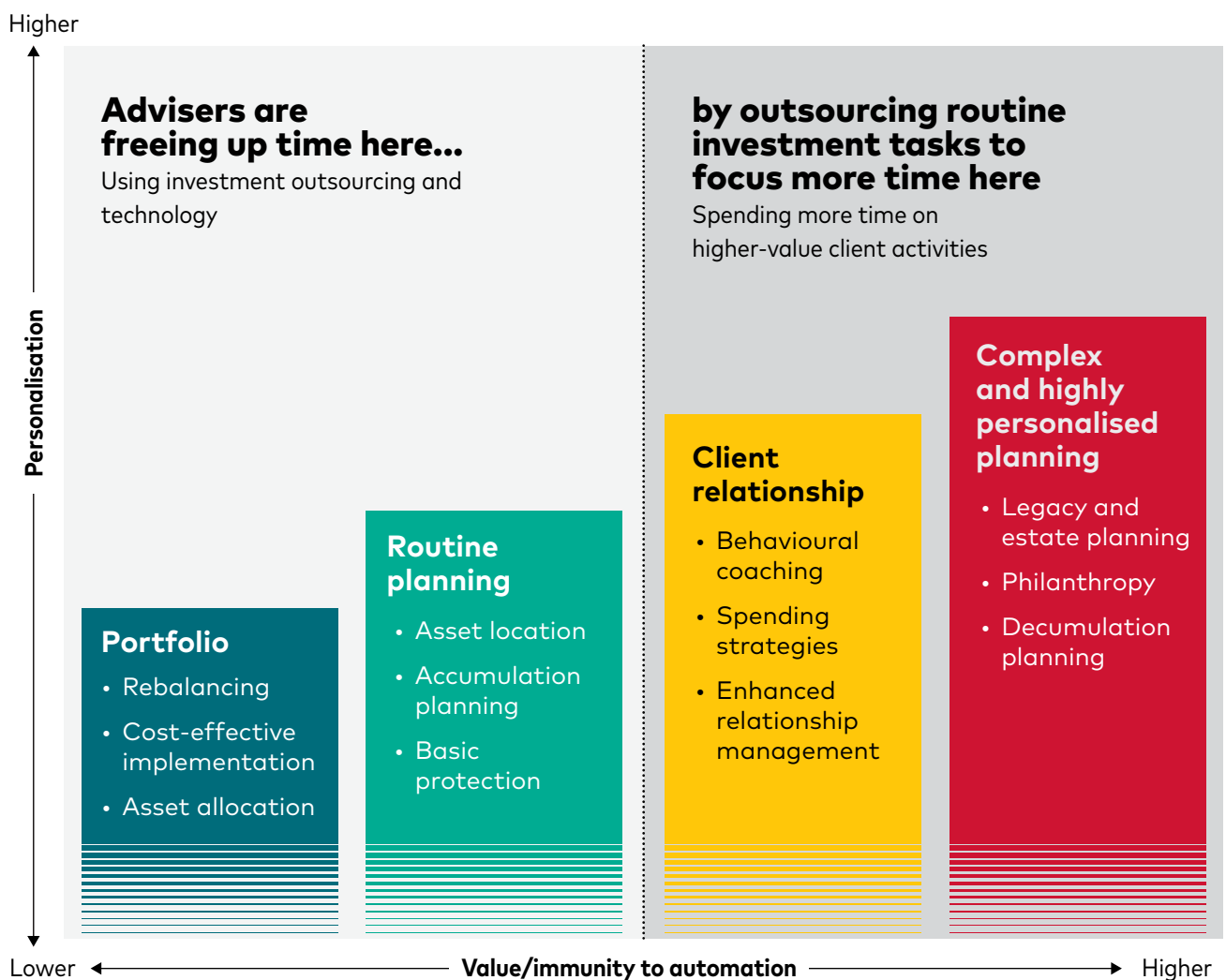
|                                 | Share of AUM outsourced |        |         |
|---------------------------------|-------------------------|--------|---------|
|                                 | 20-49%                  | 50-89% | 90-100% |
| Higher personal income          | 77%                     | 83%    | 91%     |
| Higher business valuation       | 77%                     | 86%    | 90%     |
| Lower operating costs           | 74%                     | 78%    | 85%     |
| Stronger client relationships   | 79%                     | 81%    | 90%     |
| Increased client retention      | 72%                     | 86%    | 89%     |
| High-quality client acquisition | 68%                     | 73%    | 82%     |
| Increased client referrals      | 59%                     | 71%    | 73%     |

**Note:** Percentages refer to the proportion of advisers in each category who experienced the business impacts described in the left-hand column of the table.

By outsourcing their investment management, advisers can focus less on routine tasks and more on complex, relationship-driven services where their personal touch is most valuable and technology cannot fully replicate their role.

<sup>4</sup> Assetmark, *The Impact of Outsourcing*, 2022. Results based on a survey of 757 US-based financial advisers. Advisers were asked how many hours per week they saved from outsourcing their investments.

## Advisers are reallocating their time towards higher-value-adding activities with clients



### Re-weighting their value proposition

- Cashflow planning
- Wealth structuring
- Estate planning
- Family engagement



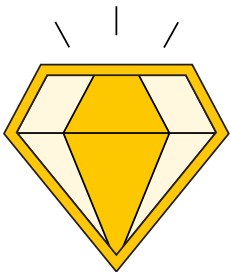
### Business development

- Networking
- Prospect meetings
- Following leads
- Building brand and social media presence



### Balance

- Strategic initiatives
- Leisure
- Family time

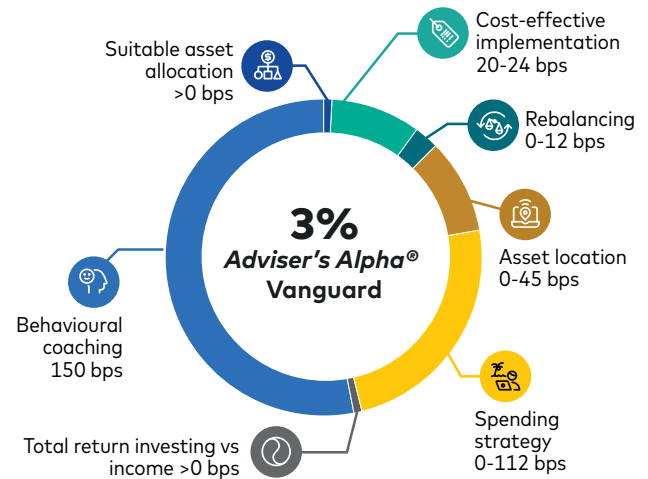


# Value

## The value of financial advice

For over 25 years, Vanguard has been an advocate for the considerable value that financial advice provides in delivering better outcomes for investors. Our Adviser's Alpha<sup>®</sup> research suggests that advisers can add approximately 3% annually to their clients' net returns<sup>5</sup>. However, beyond setting an appropriate risk level with clients, adviser value is mainly unconnected to portfolio performance and management. Instead, the value of advice derives from financial planning and relationship-oriented aspects of an adviser's service.

## The Vanguard Adviser's Alpha<sup>®</sup> framework



Vanguard Advisory Research Centre.

**Note:** '3%' means approximately 3 percentage points of additional annualised net returns over an unspecified period of time.

## MPS costs are falling

Outsourcing used to cost more than managing portfolios in-house. Today, outsourced portfolios can offer advisers:

- much lower costs of delivery compared with just a few years ago.
- regulatory benefits that can translate into significant cost savings for many advice firms.

Low-cost MPS solutions can help advisers reduce their investing expenses compared with building portfolios in-house.

|                | Average MPS fee* | Average OCF** | Total MPS cost |
|----------------|------------------|---------------|----------------|
| <b>Q3 2021</b> | 0.25%            | 0.75%         | 1.00%          |
| <b>Q3 2022</b> | 0.21%            | 0.46%         | 0.67%          |
| <b>Q3 2023</b> | 0.19%            | 0.40%         | 0.59%          |
| <b>Q3 2024</b> | 0.18%            | 0.36%         | 0.54%          |
| <b>Q3 2025</b> | 0.17%            | 0.34%         | 0.51%          |

**Source:** Nextwealth, *MPS Proposition Comparison Report*, December 2025.

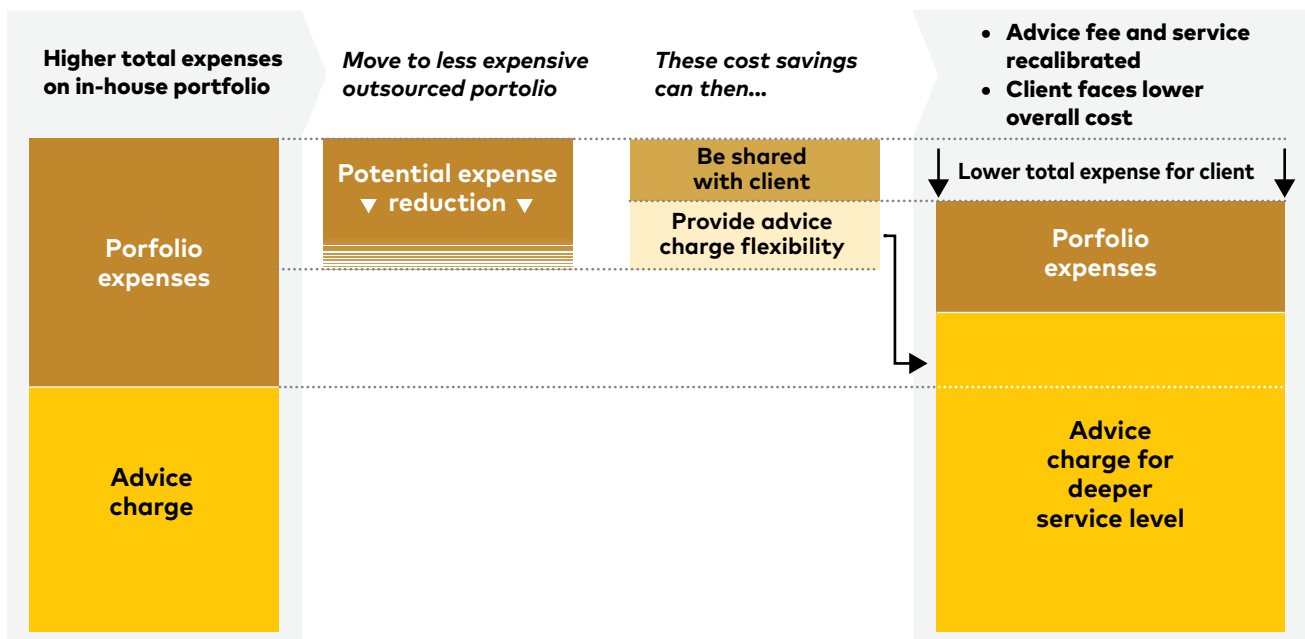
\*Represents the market average asset-weighted MPS fee for the time period.

\*\*OCF refers to the average Ongoing Charges figure. The OCF includes the fund manager's annual management charges, together with administration, audit, depository, legal, registration and regulatory expenses incurred in respect of the underlying funds. The OCF excludes transaction or dealing costs of the underlying funds.

<sup>5</sup> Vanguard, *Quantifying Adviser's Alpha<sup>®</sup> in the UK: Putting a value on your value*, 2025. The research shows that advisers can add approximately 3 percentage points of additional net returns for their clients by following the Vanguard Adviser's Alpha framework, which focuses on building long-term value and strengthening client relationships rather than trying to outperform markets and chasing returns.



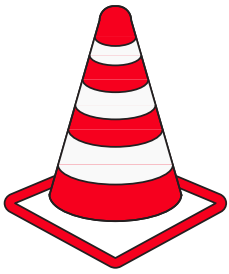
## Potential cost benefits of MPS for advisers



Source: Vanguard.

In addition to lowering investing costs, outsourcing can provide opportunities for advisers to re-calibrate their own service fee structures with clients. These include:

- Passing along any cost savings from outsourcing with clients through lower investment fees and higher returns on their portfolios; and
- Adjusting advisory fees to better reflect the greater focus on value-added services outside of portfolio management, such as financial planning conversations.



# Risk

Building and managing portfolios in-house carries a number of risks related to governance and controls, as well as investment-related risks associated with performance and transactions.

The number of processes, parties and responsibilities involved in portfolio management carries material risks for advice firms. By outsourcing investment management to an experienced, responsive and well-resourced external provider, advisers can alleviate these risks.

## Risks of building portfolios in-house

### Governance risks

- Portfolio tracking and trade management
- Documenting decisions/investment process and rigour
- Key person risk
- Errors and compensation
- Regulatory evolution

### Investment risks

- Failing to meet investment outcomes
- Transaction costs
- Key person risk
- Liquidity

**Note:** The lists above represent a sample of the most common risks associated with building client portfolios in-house; they are not comprehensive, nor do they reflect specific risks associated with individual firms or client portfolios.

## Outsourcing and Consumer Duty

Outsourcing can help UK advisers meet the Financial Conduct Authority's (FCA's) Consumer Duty guidelines<sup>6</sup> by offering products and support designed specifically with Consumer Duty standards in mind. Rather than an adviser performing portfolio due diligence, outsourcing can help shift this responsibility to third-party investment manager(s), saving time and reducing risk for the adviser.



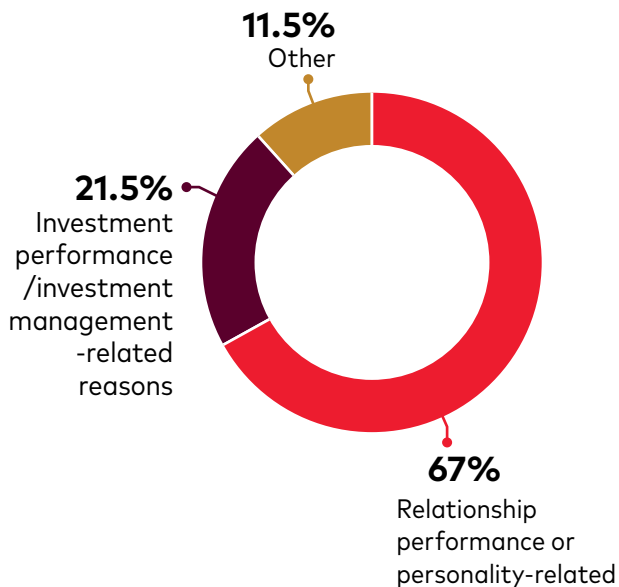
**Source:** FCA; *Consumer Support Outcome: Good practices and areas for improvement*; March 2025.

<sup>6</sup> Consumer Duty is the FCA's higher standards of care for retail financial services in the UK. The Duty requires financial advisers to demonstrate their advice, communications, fees and services lead to consistently good outcomes for clients—and to evidence these outcomes are being achieved.



## The impact on client relationships

Why would investors cease their relationship with an adviser?



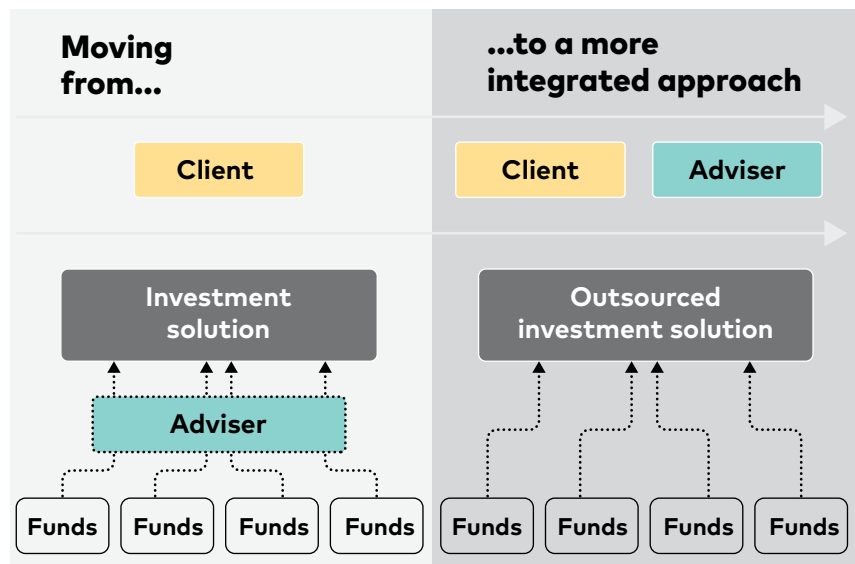
**Source:** Advisory Research Centre, *Client Connect: The Vanguard Advice Survey 2025*. Advisers were asked: *Please rank the top 3 most likely reasons for your clients to cease their relationship with you?* Responses were then aggregated into the 3 main categories shown in the chart.

## Human connection is more impactful than investment performance

For the majority of clients, the human elements of their adviser relationships play a significant role in their client experience. While portfolio performance is important, it no longer ensures client retention; clients expect personalised service and human connection, as well as investment outcomes, from their advisers.

# Changing the adviser-client relationship dynamic

Moving to an outsourced investment solution can introduce positive developments in the adviser-client relationship. The adviser is no longer the party across the table creating the investment solution but instead is working alongside the client to find a best-of-breed solution from the marketplace that holds the provider to account when it comes to delivery.



Source: Vanguard.



## Transfers performance responsibility to the investment provider

Adviser's role shifts towards choosing investment solutions and holding providers to account



## Refocuses advice relationships on financial planning services

Focus is aligned with the most reliable elements of advice value



## Enhances flexibility

Adviser and client can change solutions easily (more than with in-house portfolios)



## Benefits of outsourcing for clients

Outsourcing your investment proposition can offer tangible and valuable rewards for your clients. Articulating these benefits can help smooth the transition for hesitant clients.

### Key benefits

- Advisers can spend more time with clients focusing on the issues that matter most and add the most value.
- Increased emotional value from spending less time on routine portfolio monitoring.
- Greater level of portfolio consistency and safeguards.
- Potential to share in the cost savings.
- Potential cost savings/higher returns passed along to clients from switching to outsourced investment solutions.

## How Vanguard can help

We offer a broad range of high-quality, low-cost MPS and managed multi-asset fund solutions.

We provide full support, collateral and training for advice firms looking to begin investment outsourcing or expand their current offering.

**Contact your Vanguard representative to find out more.**

[www.vanguard.co.uk/professional](http://www.vanguard.co.uk/professional)

## **Investment risk information**

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

## **Important information**

This is directed at professional investors and should not be distributed to, or relied upon by retail investors.

This is designed for use by, and is directed only at, persons resident in the UK. The information contained herein is not to be regarded as an offer to buy or sell or the solicitation of any offer to buy or sell securities in any jurisdiction where such an offer or solicitation is against the law, or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so. The information does not constitute legal, tax or investment advice. You must not, therefore, rely on it when making any investment decisions. The information contained herein is for educational purposes only and is not a recommendation or solicitation to buy or sell investments.

Issued by Vanguard Asset Management Limited, which is authorised and regulated in the UK by the Financial Conduct Authority.

© 2026 Vanguard Asset Management Limited. All rights reserved. 06/26\_2696

**Connect with Vanguard®**

[global.vanguard.com](https://global.vanguard.com)

**Vanguard®**