

Thinking Ahead Institute
An innovation network founded by WTW

From goals-based investing to total portfolio thinking

An emerging, innovative approach for Wealth, with promise and challenges.

Investing with outcomes in mind

Wealth management is often described as a personal business and, in many respects, it is. Advisers attempt to get to know their clients, understand their circumstances and translate complex lives into financial plans. Yet the portfolios sitting beneath those plans are often fairly standardised: a small family of models, organised around strategic asset allocation, differentiated mainly by risk score.

This tension suggests the industry may have become highly efficient at delivering portfolios without necessarily becoming equally effective at achieving the objectives that make each client different. The Total Portfolio Approach (TPA) offers a useful way to examine the gap. While building on the ongoing institutionalisation of wealth management, TPA might offer a fresh, renewed perspective on the perennial issue of working and investing with outcomes in mind.

The forgotten roots of total portfolio thinking

TPA is usually presented as an institutional innovation, but wealth management explored similar territory years ago through objectives- and goals-based investing. The aspiration is quite similar: start with the investor's purpose, recognise that risks interact across the whole balance sheet, and judge success by progress towards an outcome rather than by relative performance against a benchmark.

This was proto-TPA. A retirement goal, a future liability, an operating business and an inheritance objective were not separate streams. They were parts of one system, and the portfolio existed to serve that system. In principle, the unit of optimisation was the individual end client.

Why Wealth moved away

If the logic was compelling, why did it not become the industry's dominant model? One logical explanation lies in the business context: while goals are individual, wealth businesses operate at scale. Serving thousands of clients requires repeatable governance, consistent implementation, clear oversight and manageable costs. Model portfolios meet those needs brilliantly.

They also shape behaviour. Once capital is divided into equity, bond and alternative buckets, decisions are optimised inside those boundaries. Opportunities compete with their asset-class neighbours rather than with every possible use of capital. The whole becomes a collection of well-managed parts, with consequently fewer degrees of freedom.

This leads to a tricky proposition: wealth management's prevailing design may be a business optimisation rather than an investment optimisation. In other words, standardisation was successful in solving genuine problems.

Hyper-personalisation changes the equation

Those constraints are now shifting. Data, modern platforms and AI are lowering the cost of complexity. Scale, while continuing to be leveraged, can now mean building the required infrastructure.

> *The ambition is changing from personal service wrapped around a standard portfolio to personalisation embedded in the portfolio itself.*

And this is where wealth extends the TPA idea. Institutional TPA asks us to optimise the whole portfolio. Modern wealth management increasingly asks us to optimise the whole client life cycle and relationship: investments, liabilities, tax, spending, private businesses, family commitments and values and inheritance, all through time.

What Wealth can learn

The choice between model portfolios and TPA is too binary. Models can remain useful implementation engines while a more integrated decision layer sits above them. The platform can map a client's total circumstances, test alternative pathways and translate the preferred outcome into scalable building blocks. Standardisation can work behind the scenes, while personalisation now takes centre stage.

This reframes the adviser's role too. Rather than selecting a risk-rated product, the adviser becomes the designer of an outcome pathway, so risk is no longer a static label but a resource that changes with funded status, time horizon and the client's wider balance sheet. Performance is ultimately interpreted in terms of the probability of achieving what matters or what is being targeted.

Technology could make this even more feasible. AI can integrate data, run scenarios and identify trade-offs without pretending to automate decisions about the key milestones in a client's life. Nor does more optimisation guarantee better judgement. TPA is as much a governance discipline as it is a planning discipline: clarity about objectives, willingness to compare unlike opportunities and accountability for decisions across the whole.

The next chapter for wealth

TPA in wealth is still at an early stage and faces practical challenges. We examine these, alongside the benefits, in a companion piece, TPA and wealth: acknowledging the challenges, amplifying the benefits.

The next chapter is therefore unlikely to be model portfolios versus TPA. In our view, it is more likely to be TPA + AI + hyper-personalisation. Models supply efficient components, platforms connect information and implementation, and AI helps process complexity.

> *Total portfolio thinking supplies the organising philosophy: begin with the objective, compare every use of capital and optimise the system rather than its silos.*

This will require wealth firms to revisit some comfortable assumptions.

- Is a risk score a sufficient description of a client?
- Should portfolios be governed primarily by asset-class weights?
- Where should responsibility sit when one decision affects investment, tax, liquidity and family objectives simultaneously?
- And are operating models designed to expose those interactions or to hide them?

The opportunity in modern wealth management today may be to use new capabilities to recover older insights and mindsets. Asset classes, benchmarks and models become the means of enhancing the experience of a connected financial reality and achieving target goals.

Wealth management may have made progress in perfecting the scalable portfolio, but its next evolution is to make that scalability serve the whole client. TPA provides the investment framework behind genuine personalisation and a route from portfolios that fit a category to portfolios that fit a whole life.



Wealth total portfolio thinking in practice

The entrepreneur

Client context

A 45-year-old entrepreneur has £15 million tied up in a technology business and £5 million in liquid investments. The liquid portfolio is only one part of the client's economic balance sheet.

Total portfolio insight

The business is already the client's largest investment, with concentrated technology, illiquidity and economic-growth exposures. Applying a conventional risk score only to the liquid account could therefore compound, rather than diversify, the risks that matter most.

Portfolio response

- Use defensive and diversifying building blocks to offset risks already embedded in the business
- Hold sufficient liquidity for personal spending, resilience and future business opportunities
- Revisit the allocation as the business value, exit horizon and wider objectives evolve

Outcome

The liquid portfolio may look conservative in isolation, yet it makes the client's total wealth more diversified, liquid and resilient.

Two identical risk scores

Client context

Two clients are the same age, have the same investable wealth and receive the same risk score. Client A wants to retire at 55 and prioritises inflation-resilient spending. Client B expects to keep working and wants to build intergenerational wealth.

Total portfolio insight

A common risk label doesn't capture differences in purpose, horizon, funded status or capacity for loss. The unit of optimisation is each client's pathway.

Portfolio response

- For Client A, combine near-term liquidity, inflation-sensitive assets and downside resilience around the retirement pathway
- For Client B, accept more long-horizon growth risk and consider illiquid assets where the return potential supports the legacy objective
- Use model portfolios as implementation components, adjusted by an outcome-focused decision layer

Outcome

Personalisation changes the portfolio because clients are funding different lives, even though conventional segmentation places them in the same band.

The retiring executive

Client context

A 60-year-old executive with £8 million plans to retire in five years. The objectives are to fund £250,000 of annual inflation-linked spending for life and preserve a family legacy.

Total portfolio insight

The key questions concern funded status and trade-offs: how much growth is needed, what pre-retirement drawdown is tolerable, which spending commitments require protection and how much capital can remain invested for the next generation.

Portfolio response

- Match a liquidity reserve to near-term spending and known commitments
- Use inflation-sensitive and diversifying assets to improve spending resilience
- Separate the growth required for lifetime spending from capital intended for legacy and update the pathway as markets and circumstances change

Outcome

Success is judged by the probability of sustaining spending and legacy goals, rather than by adherence to a static balanced allocation or a market benchmark.

The multi-generational family

Client context

A multi-generational family has £500 million across public markets, private businesses, property and philanthropic structures. Its priorities are to preserve purchasing power, maintain annual spending and support future entrepreneurial and charitable activity.

Total portfolio insight

Separate sleeves can duplicate exposures, compete for liquidity and obscure the interactions among investment, tax, ownership and family objectives. Capital should be assessed by its contribution to the family's shared mission, irrespective of asset-class label or legal structure.

Portfolio response

- Map common risk drivers across listed assets, private businesses and property before setting allocations
- Coordinate liquidity for distributions, tax, philanthropy and future investments rather than managing each pool independently
- Use shared data, scenarios and governance to compare unlike opportunities and make trade-offs explicit across generations

Outcome

The family governs one connected system of capital, while scalable building blocks remain available for efficient implementation.

Limitations of reliance and contact details

Limitations of reliance – Thinking Ahead Group 2.0

This document has been written by members of the Thinking Ahead Group 2.0. Their role is to identify and develop new investment thinking and opportunities not naturally covered under mainstream research. They seek to encourage new ways of seeing the investment environment in ways that add value to our clients.

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Led by Marisa Hall and Roger Urwin, the Thinking Ahead Institute connects our members from around the investment world to harness the power of collective thought leadership and develop innovative solutions for the investment industry.

Join the Thinking Ahead Institute
We seek collaboration with like-minded organisations to achieve our vision, so for more information about us please contact:

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