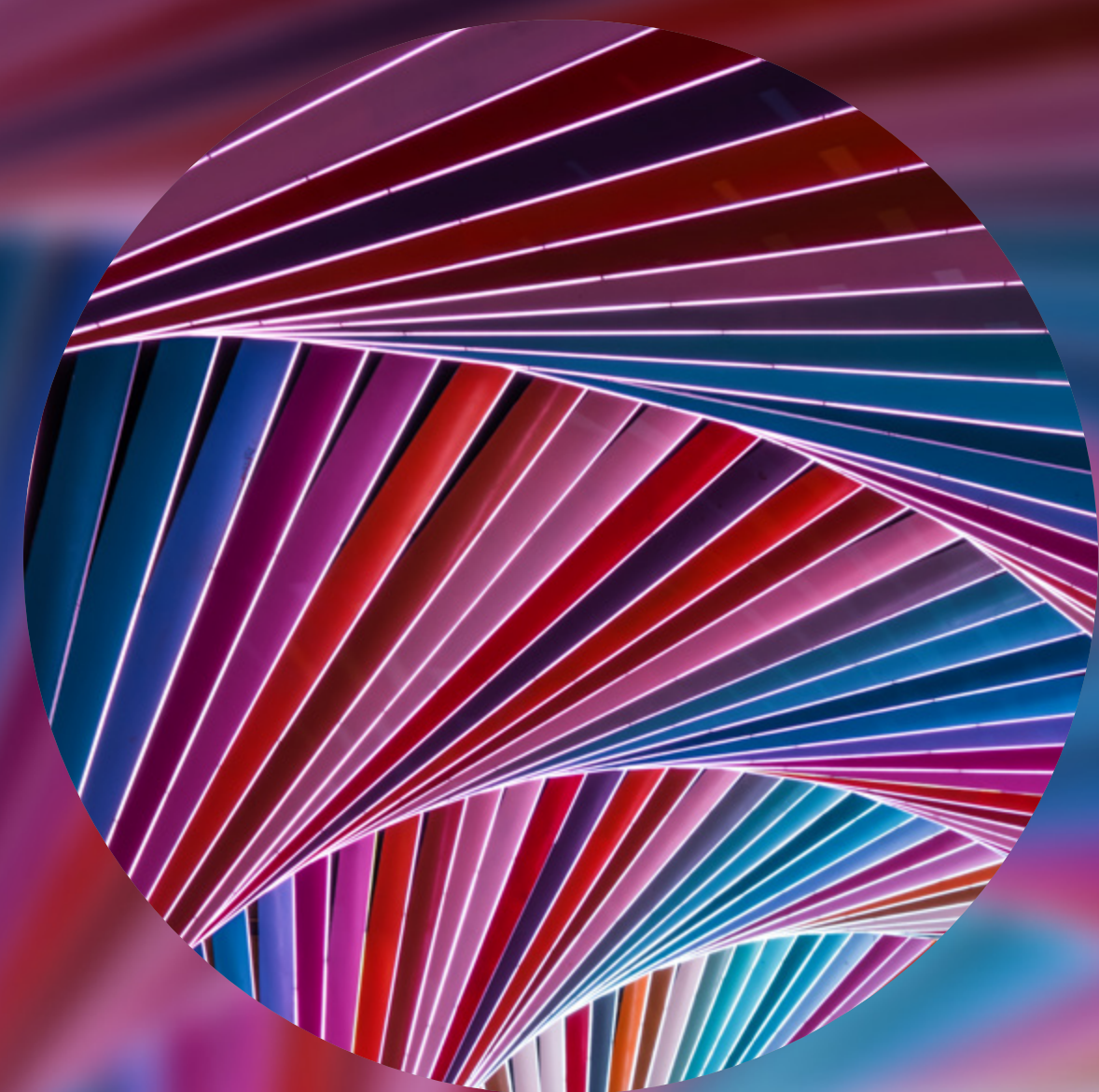
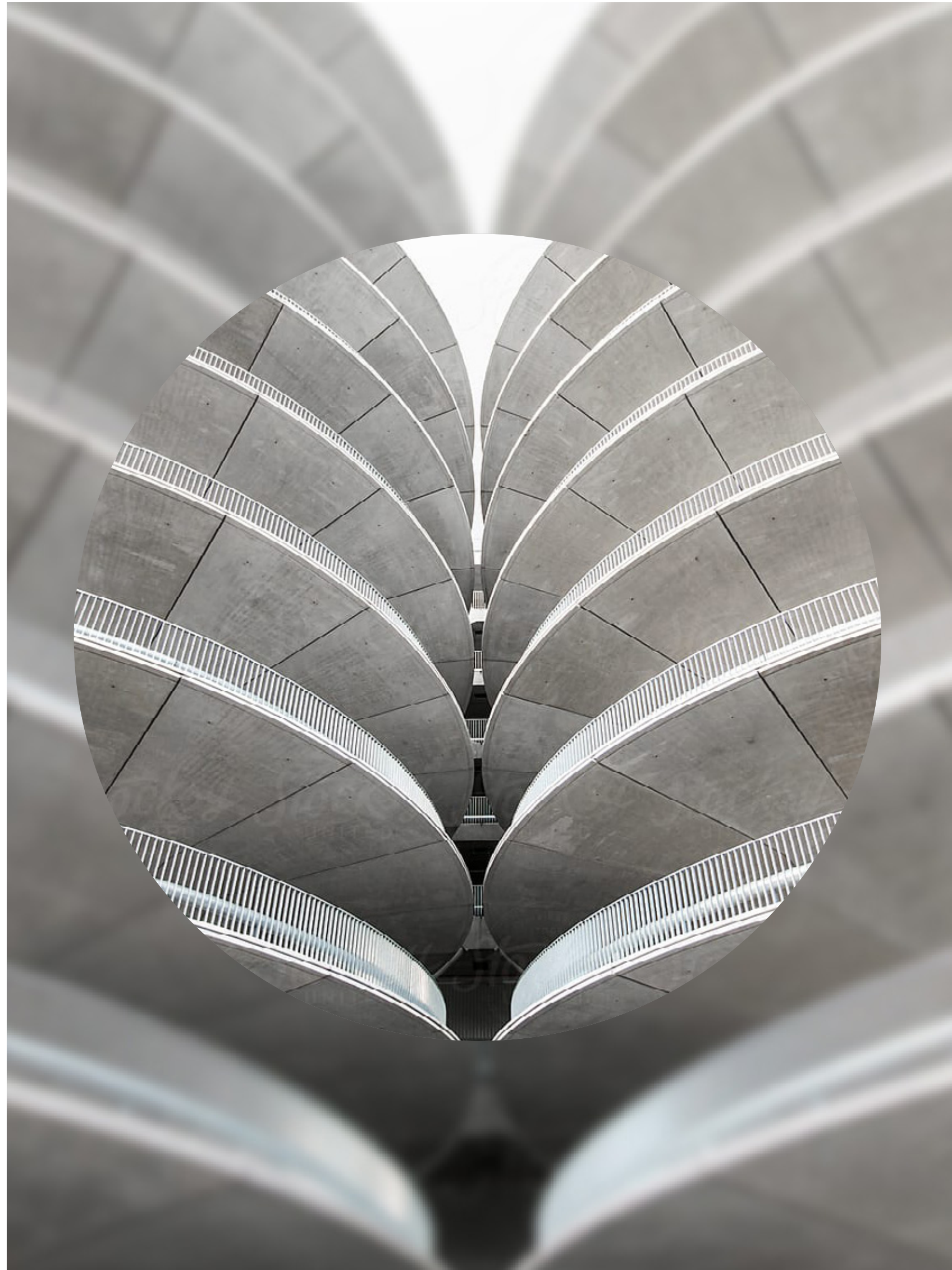




May 2025

# Direct Indexing: A critical tool for Wealth Managers





# Contents

---

Why do you plan to increase your use of direct indexing?	3
Advisors signal strong direct indexing opportunity, especially among wealthy clients	4
Most advisors plan greater use of DI; see growth ahead	5
Managing tax and cutting portfolio concentration are main benefits	7
Younger advisors view DI as key differentiator	9
DI education and implementation remain a challenge	11
Toward mainstream adoption	13
About our research	14

---

# Why do you plan to increase your use of direct indexing?

FTSE Russell surveyed over 400 advisors to better understand how direct indexing is evolving as a tool for wealth management.

“The tax benefits to clients are tangible and it’s a differentiator.”

“Clients starting to enjoy returns/risk.”

“Because it offers creating personalized, tax-efficient portfolios that align with my client’s values and goals.”

“Better outcomes.”

“Great solution for a tax-efficient investment plan.”

“Direct indexing is far more cost effective and tax-efficient than investing in mutual funds.”

“Provides proper diversification and tax efficiency. Also have clients with concentrated positions that I would like to diversify out of.”

“Ease of use, consistency, and tax benefits.”

“It works and it is now widely available at a reasonable price.”

“It fits an important niche in my business.”

“It makes sense for larger taxable portfolios.”

“For clients who come to me with a highly appreciated portfolio— if following an index... Excellent tax management!”

“It’s a very logical way to handle large capital gains for new and existing clients.”

“Excellent tool for increasing tax efficiency.”

“Tax loss harvesting and charitable giving opportunities.”

“Strategy makes total sense to use for variety of reasons ranging from cost, tax efficiency, and multiple strategy allocation.”

“It makes sense for larger taxable portfolios.”

“Clients want it.”

“To help clients manage tax consequences of concentrated positions.”



# Advisors signal strong direct indexing opportunity, especially among wealthy clients

Most advisors say that they intend to increase use of direct indexing, although client education and implementation remain a challenge

## Key takeaways

**Most advisors plan to step up direct indexing (DI)** in the next 12 months. Those under 45 see it as key for remaining competitive. According to our survey, they see the greatest opportunity coming from wealthy clients.<sup>1</sup>

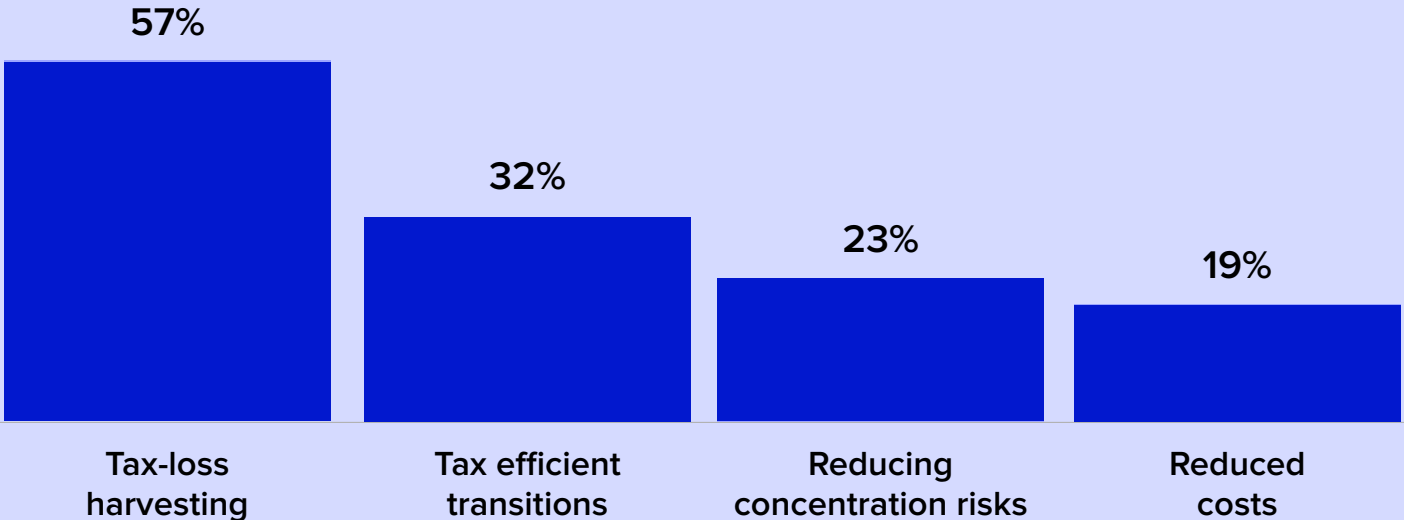
**Tax management is DI's greatest benefit**, followed by its potential as a tool for reducing portfolio concentration. Artificial intelligence (AI) is serving as a catalyst speeding adoption, as it can automate implementation of tax efficiencies.

**Education remains a challenge**, especially explaining DI to clients. Additionally, some advisors perceive implementation as a difficulty.

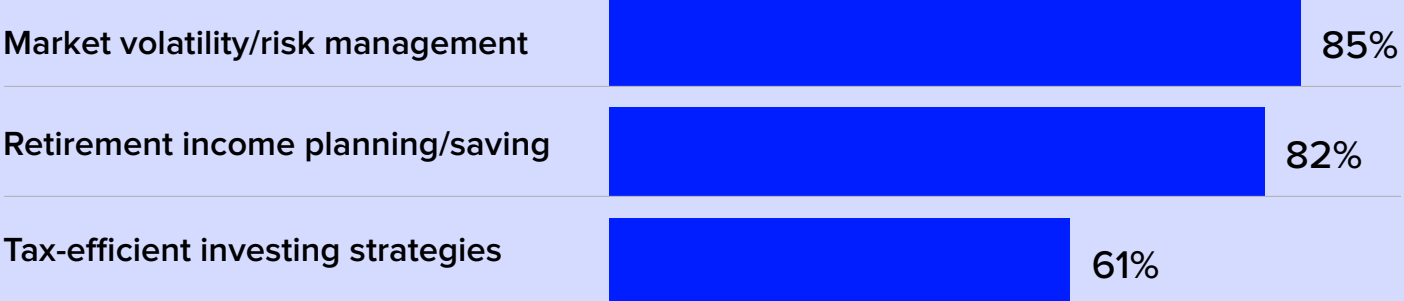
**FTSE Russell offers recognized index solutions for DI**, including the Russell 3000 index that provides full representation of US equities. We'd welcome an opportunity to discuss our findings in more detail.

<sup>1</sup>Conducted by 8 Acre Perspective, the survey solicited input from 402 advisors between March 7 and March 24, 2025. For more information, see about our research at the back of this report.

## Top ranked benefits of direct indexing<sup>2</sup>



## Top 3 topics clients most often ask about<sup>3</sup>



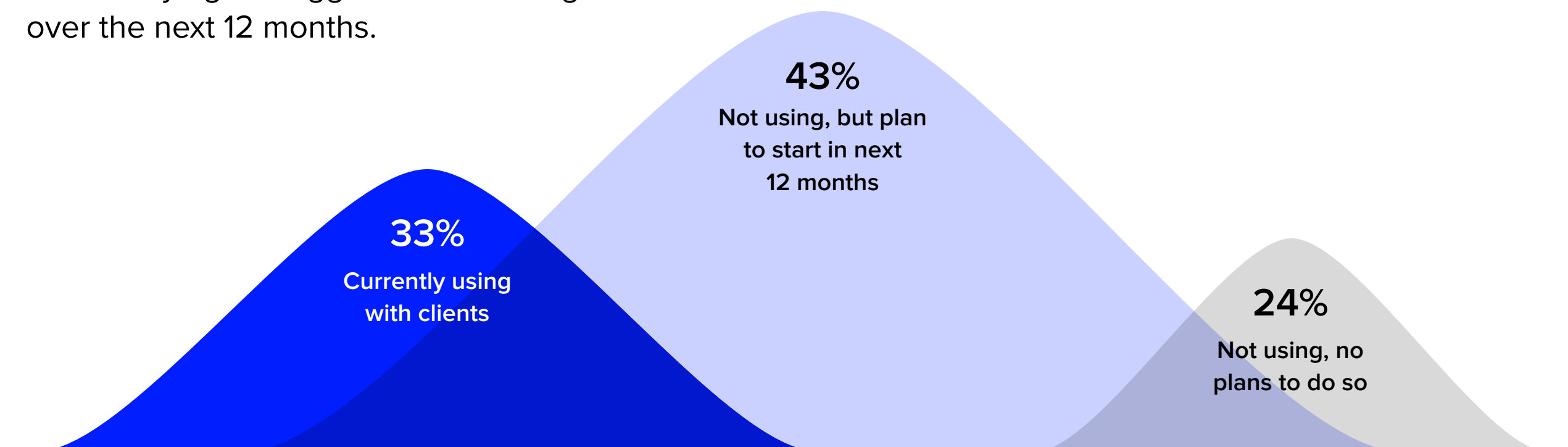
<sup>2</sup>Ranked up to two | Base: Associate 1+ benefit with DI.  
<sup>3</sup>% top 5 | Base: All advisors

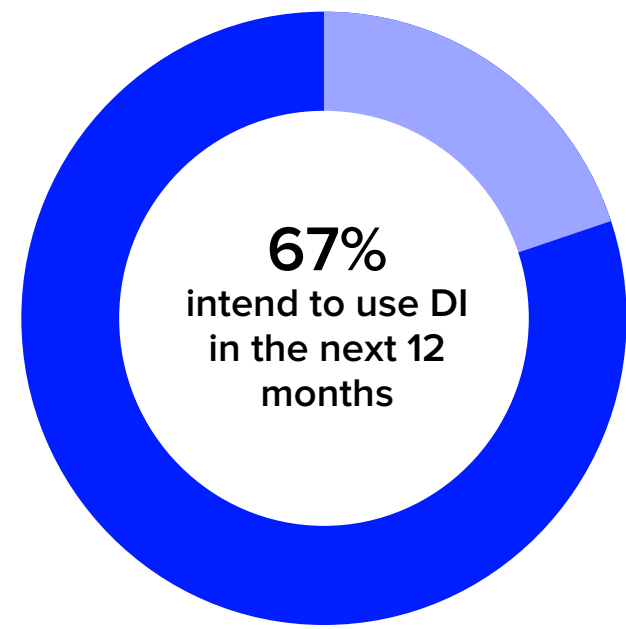


# Most advisors plan greater use of DI; see growth ahead

**Next 12 months:** Advisors plan to increase use of DI to serve high net worth (HNW) and ultra-high net worth (UNHW) clients

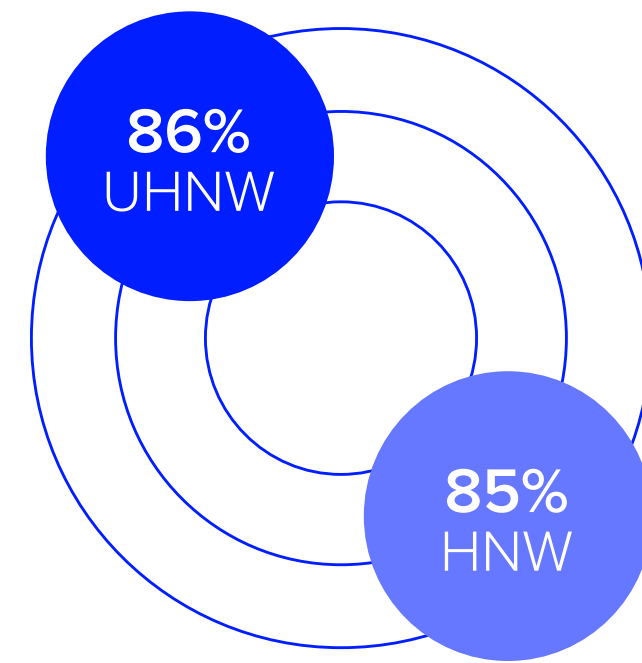
In a sign that advisors have accepted DI as a product offering with distinct client benefits, our survey again suggests near-term growth over the next 12 months.





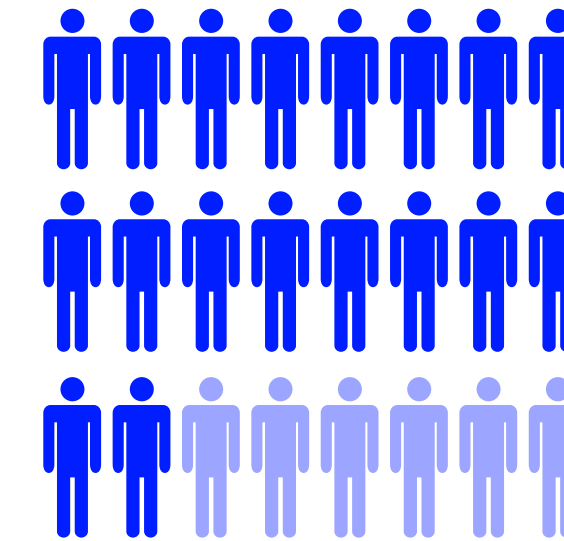
## Current users are doubling down

Of the third (33%) of advisors already using DI, most (67%) intend to do so even more in the next 12 months. Additionally, more than four in 10 (43%) advisors say they plan to start using DI in the year ahead. Just a quarter (24%) of advisors have no plans to incorporate DI.



## Wealthy clients are expected to drive growth

While last year's survey suggested more growth in the mass market, our 2025 survey indicates that it may remain concentrated to the wealth management community. Almost all advisors see a strong or moderate opportunity among both the ultra-high net worth (UHNW) (86%) with assets of \$10m or more, and the high net worth (HNW) (85%) with assets between \$1m and \$9.9m.



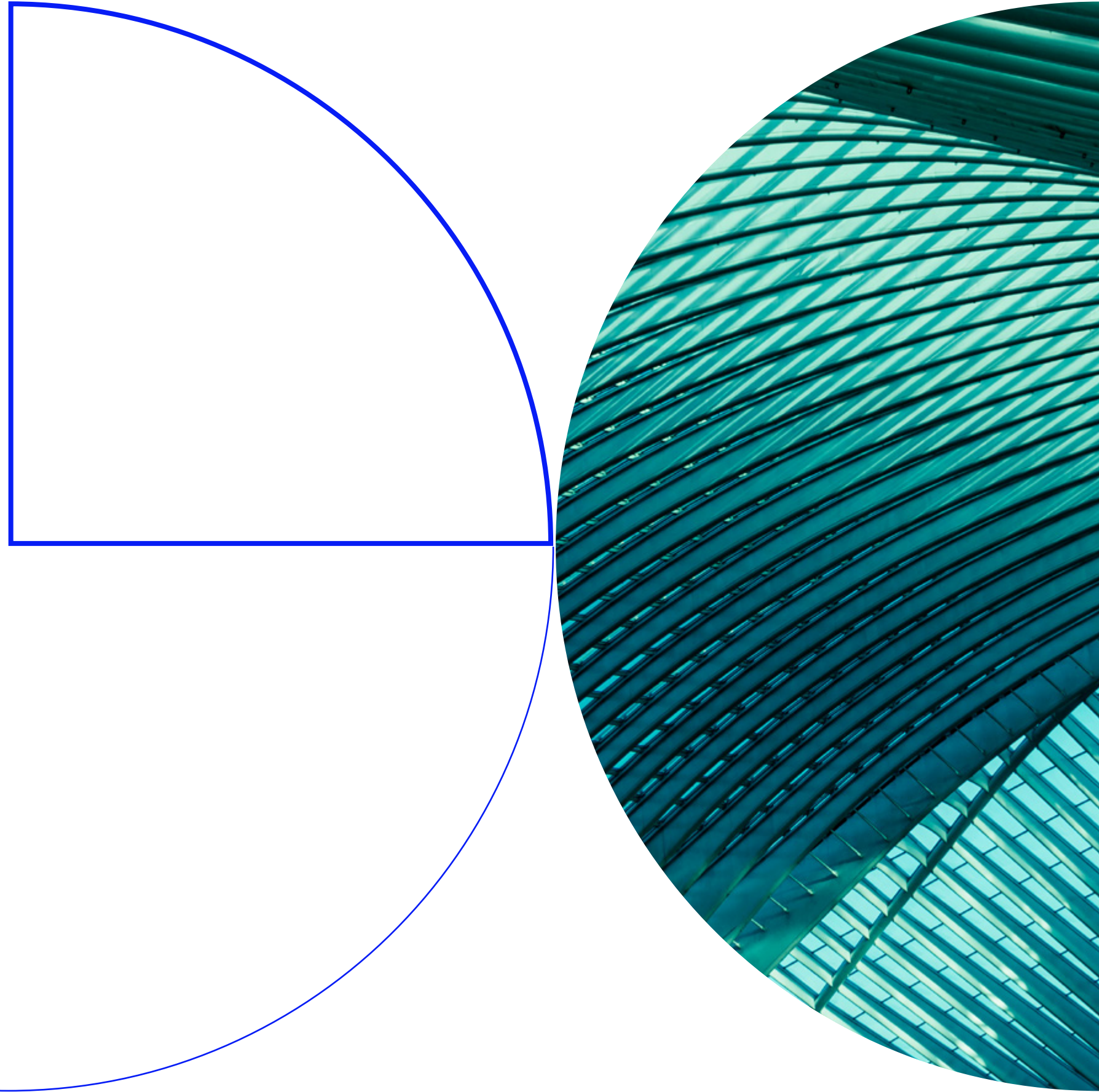
of advisors agree that DI is an essential offering for HNW and UHNW clients

## DI is becoming essential for serving affluent clients

What's more, almost three quarters (74%) of advisors agree that DI is an essential offering for HNW and UHNW clients.



Notably, wirehouse advisors are most confident about the UHNW opportunity. Almost two thirds (63%) see DI as offering a strong opportunity – whereas independent broker dealers (48%) and registered investment advisors (45%) had lower levels of optimism



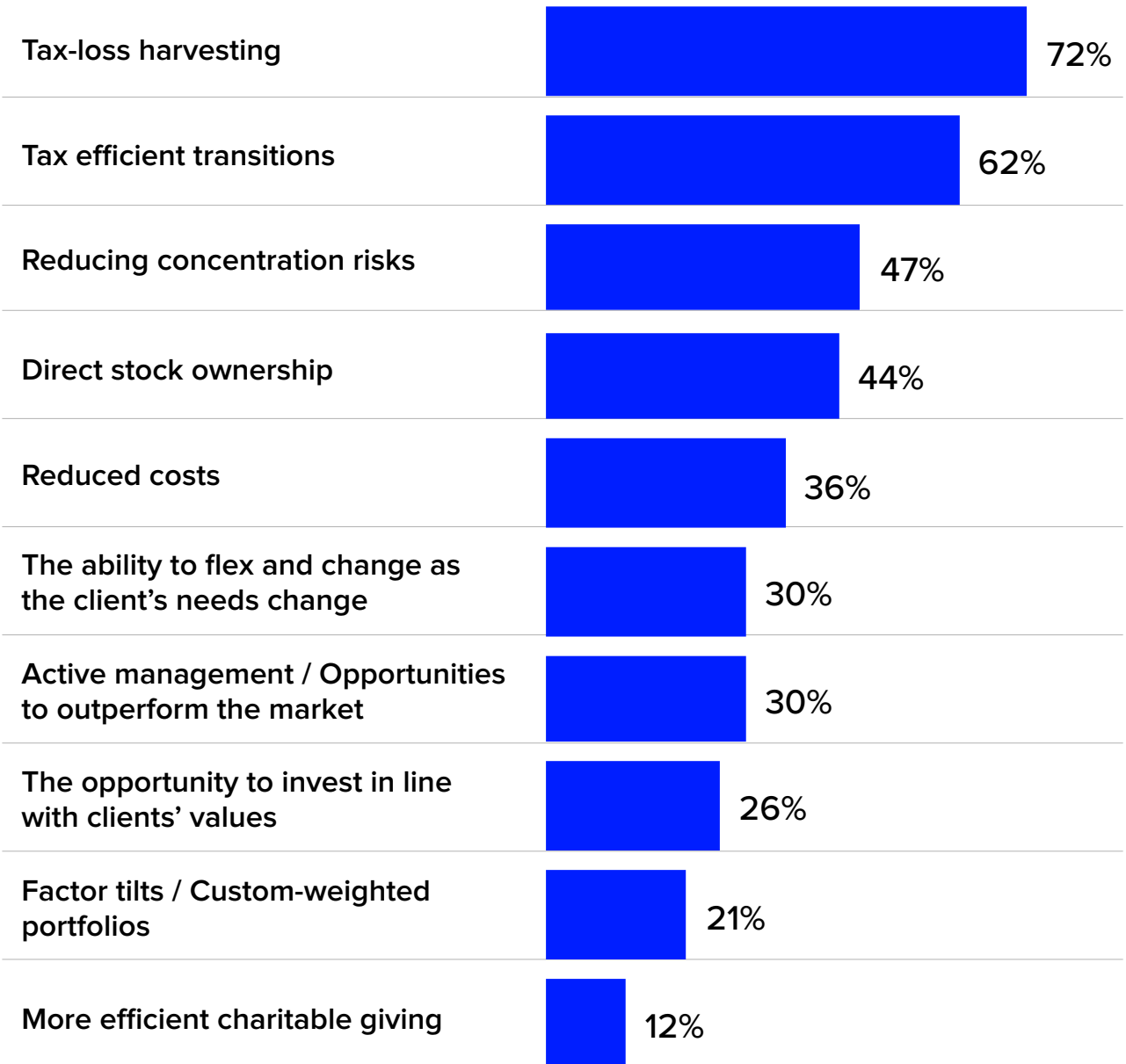
# Managing tax and cutting portfolio concentration are main benefits

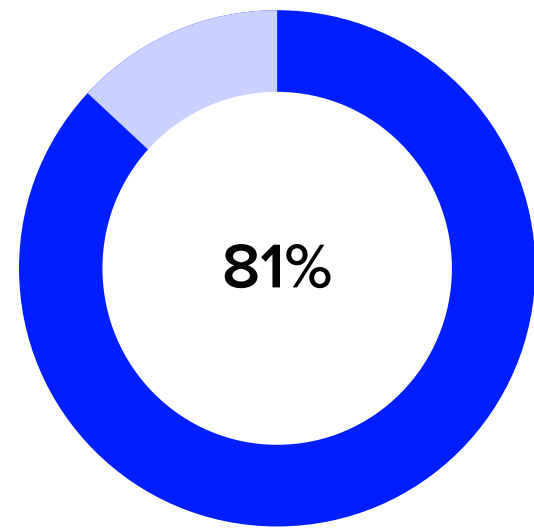
## Tax-loss harvesting and tax efficiency offer the greatest benefits, with AI acting as a catalyst

When it comes to how advisors are using DI, advisors believe the biggest benefits are to be gained in tax management, followed by the reduction of portfolio concentration risk.

Almost three quarters (72%) of advisors view tax-loss harvesting as a benefit, with over six in 10 (62%) seeing its ability to make portfolio transitions tax efficient a benefit.

**Advisors see top DI benefits as tax management, diversification, and direct stock ownership**

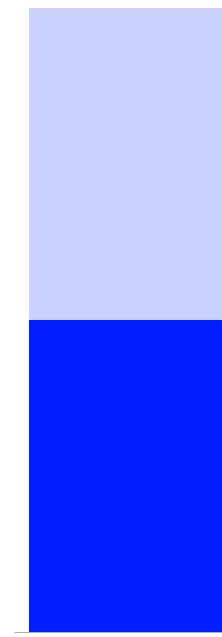




↑  
 Advisors agree that advancements in AI and automation will help drive use of DI

## AI is accelerating adoption of DI

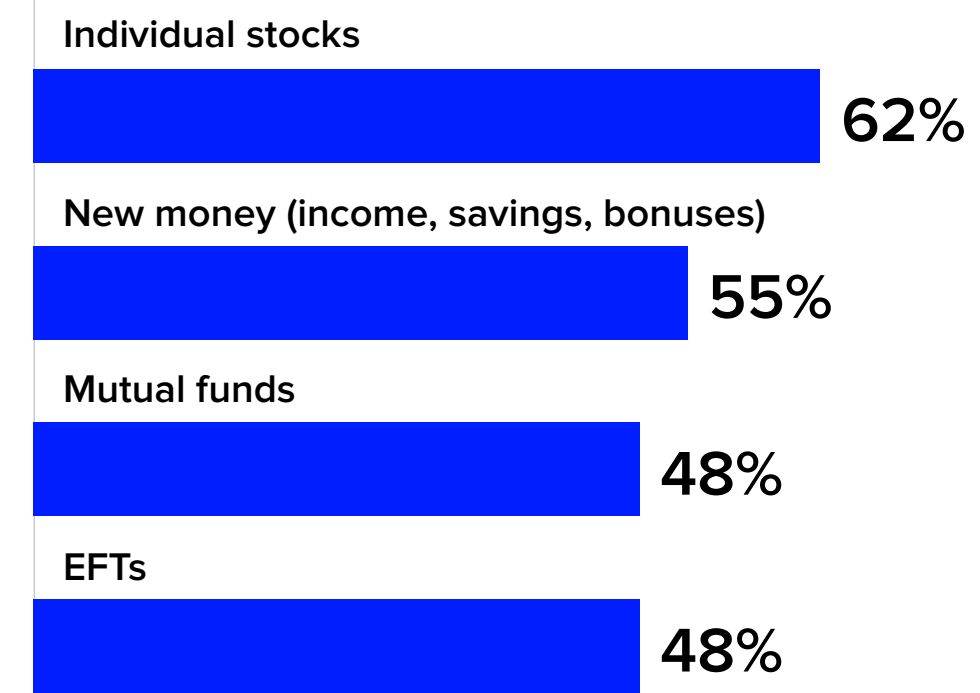
What's more, advisors see AI as a catalyst for growth. Eighty-one percent agree that advancements in AI and automation will help drive use of DI. By way of explanation, some advisors are beginning to leverage AI to automate tax efficiency – whether across different managed account platforms or for multi-asset portfolios



↙ ↘  
 47%  
 See DI as reducing concentration risk

## Helps reduce portfolio concentration risk

But a significant number also value DI's role in decreasing portfolio concentration risk, at a time when investors have likely appreciated the need for greater diversification in equity markets. Almost half (47%) of advisors view this as a benefit.



## Stocks and new money are key

Advisors who are currently using DI and plan to increase usage over 12 months think the assets most likely to fund new DI accounts are individual stocks (62%), followed by new money (client income/bonus, bank savings, etc.) (55%). But they also see funding coming from mutual funds (48%) and ETFs (48%).

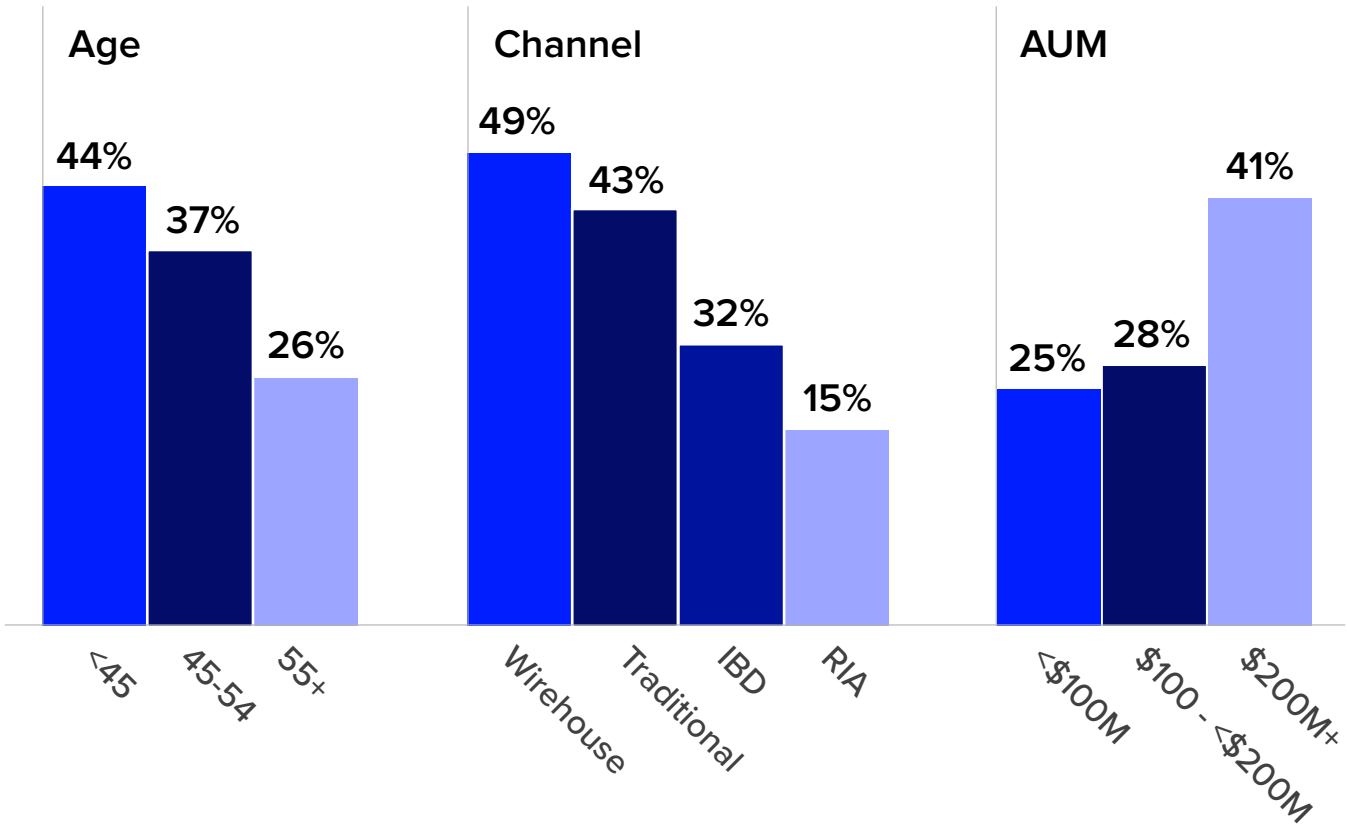


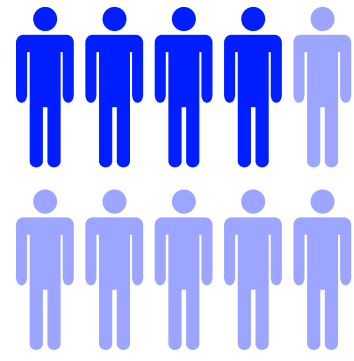
# Younger advisors view DI as key differentiator

**Those under 45 see DI as vital for them to remain competitive, at a time when personalization is key**

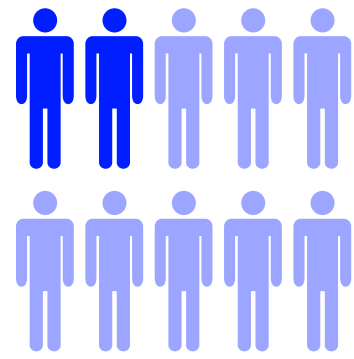
Younger advisors aged under 45 believe DI is a vital tool for them to remain competitive. Almost two thirds (63%) agree that it's essential in wealth management. But the older generation's less convinced: less than half (47%) of colleagues aged 55 and over think that DI is needed to remain competitive.

**Adoption of DI is on the rise**





**4/10**  
Advisors **under 45**  
already use DI

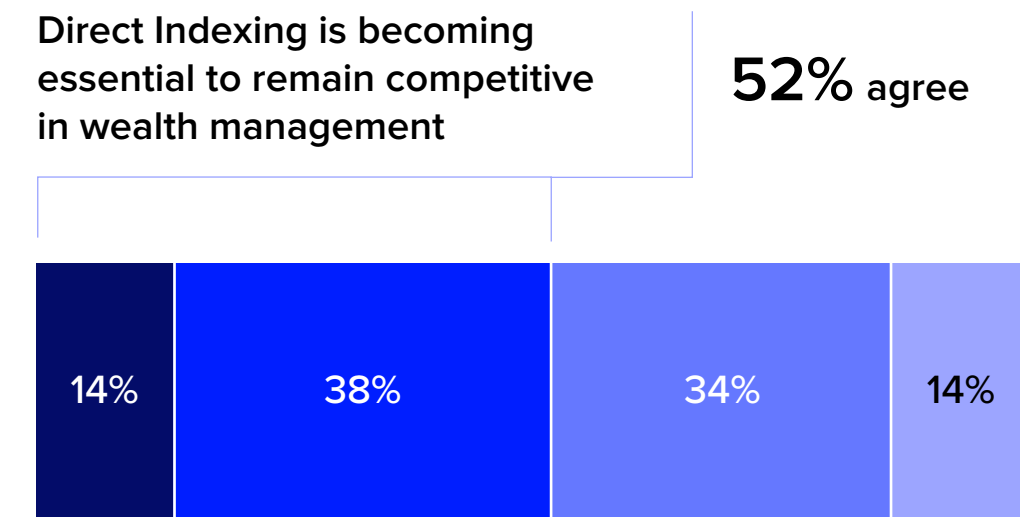
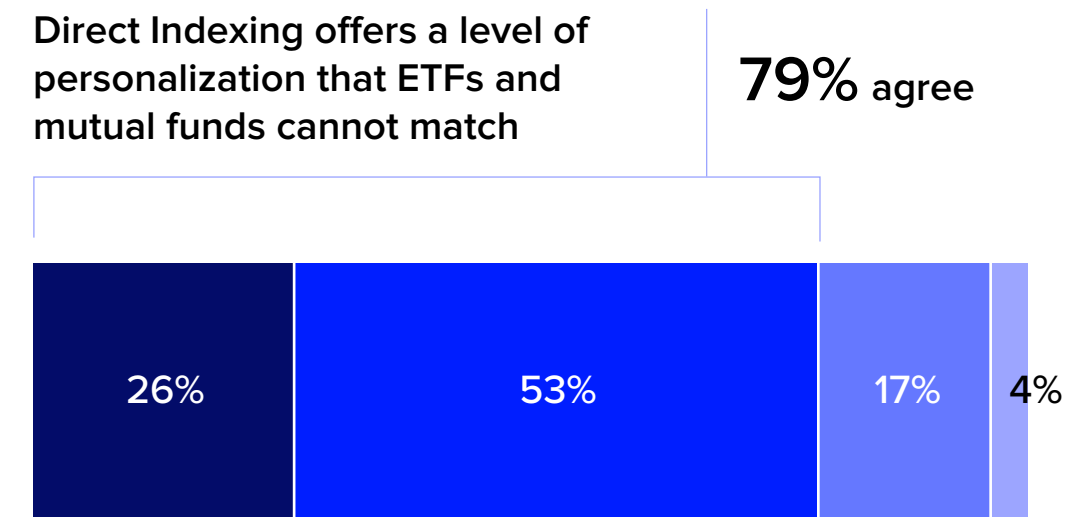


**26%**  
Advisors **55 and over**  
use DI

## More likely to use it

More tech-savvy than their older colleagues, younger advisors are far likelier to use DI and are less daunted by its perceived complexity. Just over four in 10 (44%) advisors under 45 already use it, compared to only 26% of those aged 55 or over. What's more, over two thirds (69%) of under 45s say implementation is easy – by contrast only about half (49%) of those aged 55 plus think so.

## Advisors agree on the power of personalization with DI but question if it's essential



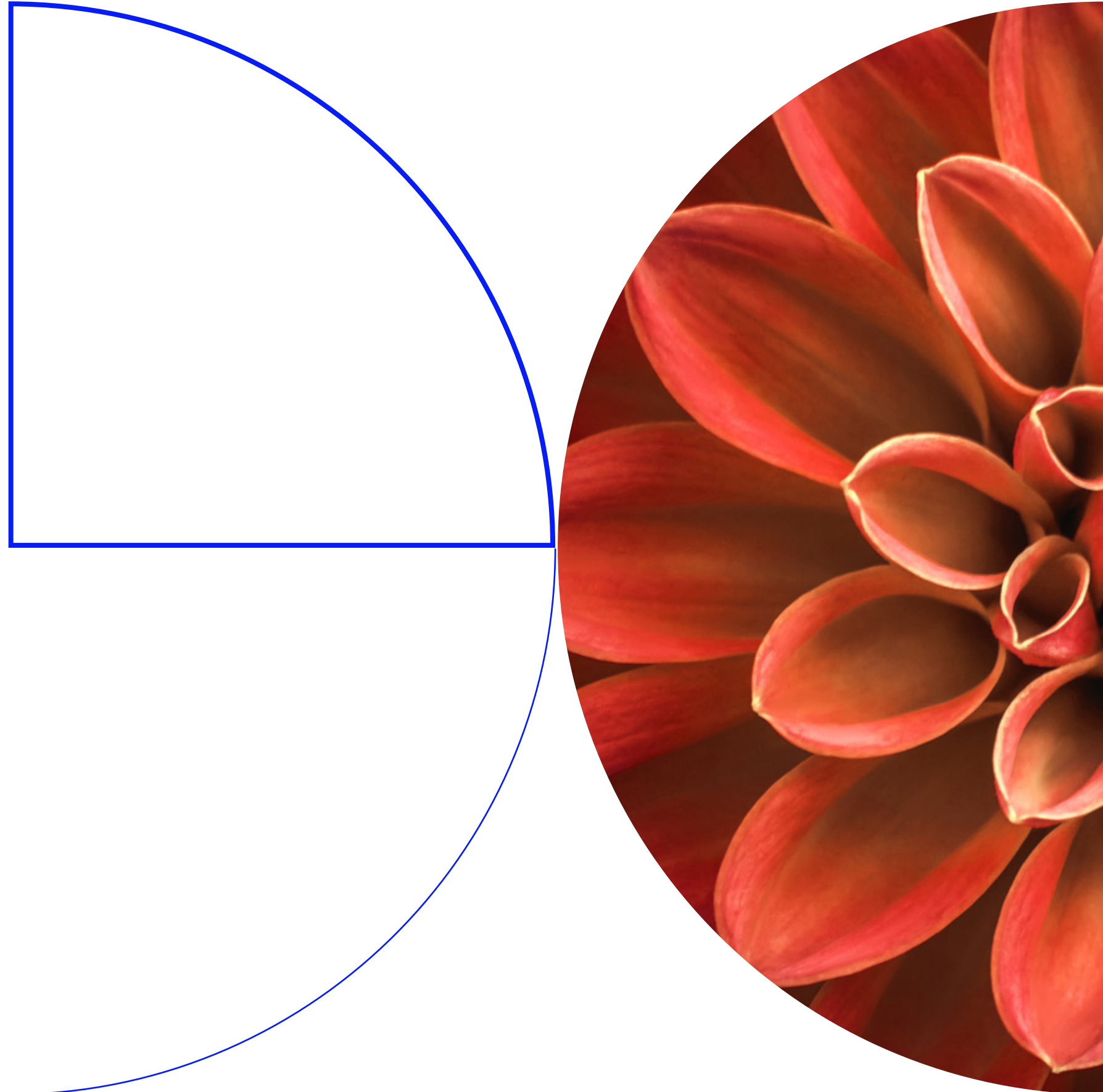
## Increasing trend

Looking to the future, the under 45s associate DI with wealth management's ongoing evolution. Six in 10 (60%) agree that DI will accelerate the decline of actively managed mutual funds, while only just over four in 10 (41%) of those aged 55 and over agree. The jury is out, though, over the threat to mutual funds, with more than half (53%) of advisors overall not thinking it will hasten the mutual fund's ebbing.

## Personalization may help

At a time when many advisors are using personalization to stand out from the pack, younger advisors' familiarity with DI may differentiate them. More than three quarters (79%) of advisors overall agree that DI offers a level of personalization that ETFs and mutual funds cannot match.





# DI education and implementation remain a challenge

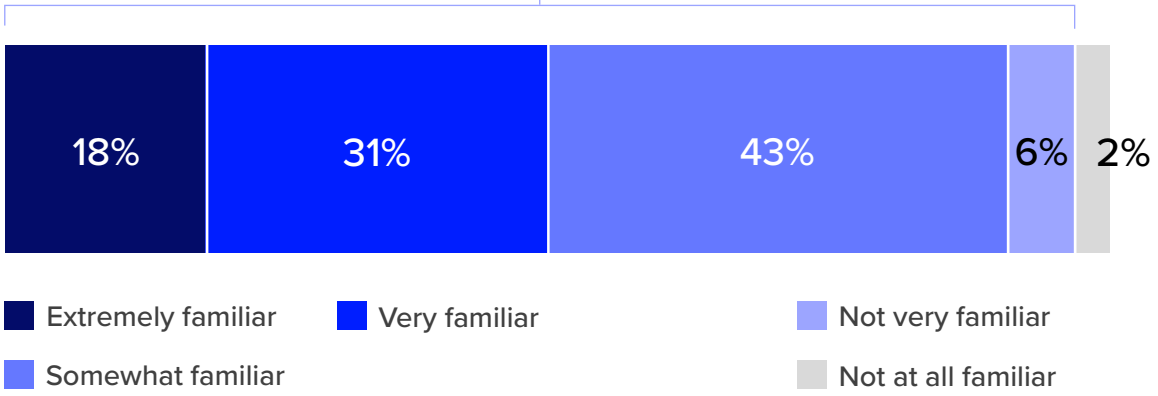
## It's difficult to educate clients about DI's benefits, and its application

### Perceived as complex

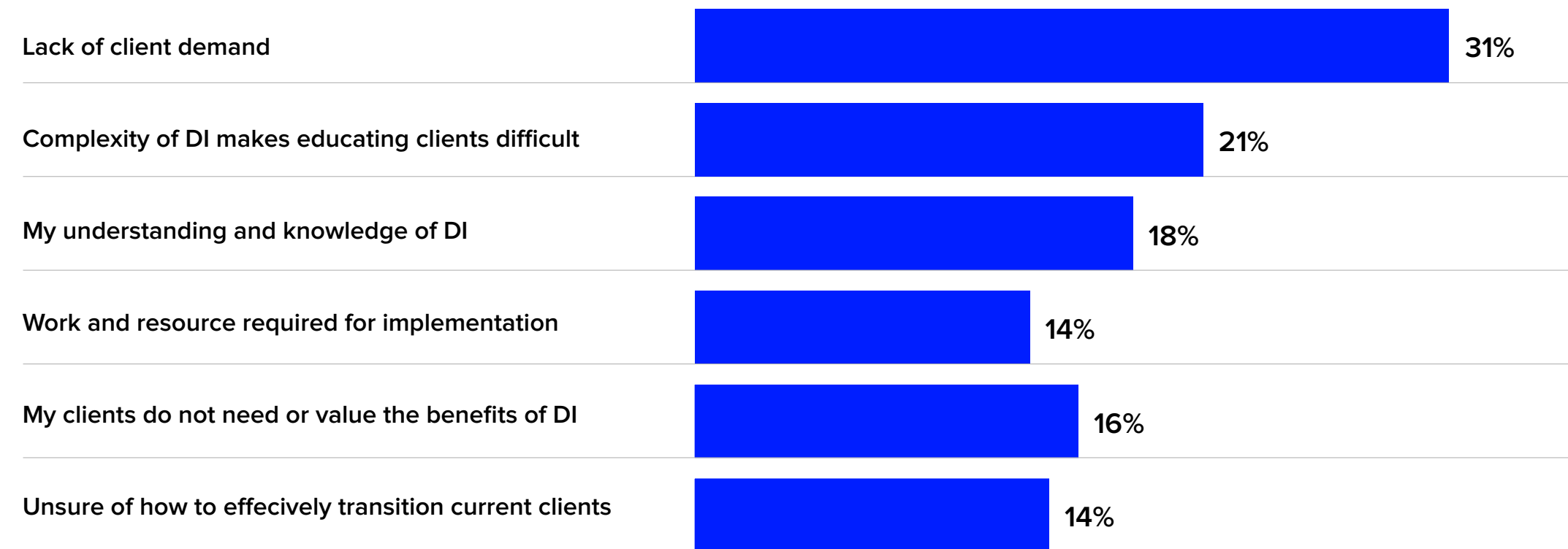
While advisors are increasingly convinced that DI is an essential product, they're perplexed by challenges associated with its perceived complexity. Most notably, they report difficulty explaining its benefits to clients, which is a problem direct index providers can help with. Additionally, the perceived difficulty of implementing DI serves as another barrier.

**Education is needed:** Only a fifth of advisors are extremely familiar with DI, and most are not confident discussing it with clients

92% are at least somewhat familiar



## Perceived lack of client demand, complexity, and implementation are top challenges to DI<sup>4</sup>



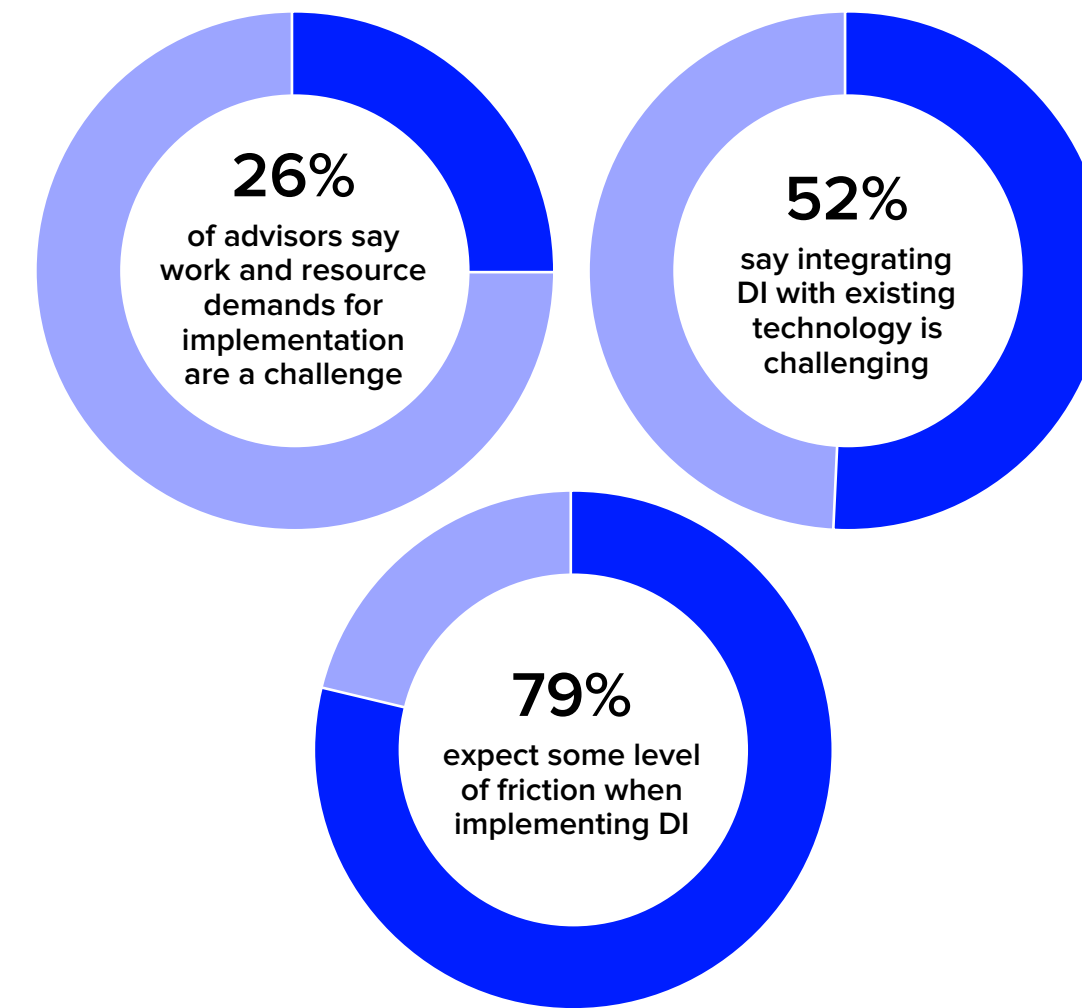
<sup>4</sup>Ranked up to two | Base: Associate 1+ challenge with DI

## Education is key

For sure, advisors say the greatest challenge is a lack of client demand – with approaching half (45%) saying this. But overall education and knowledge appear a greater issue. Notably, a third (34%) of advisors say that the complexity of DI makes educating clients difficult, ranking it the second biggest challenge. They also rank their own lack of knowledge as the third biggest challenge (according to 27%). Unsurprisingly then, eight in 10 (79%) advisors aren't entirely confident about discussing DI with clients.

Fortunately, though, advisors sense DI's opportunity and have a thirst for knowledge. Almost nine in 10 (86%) advisors are interested in learning more.

Their preferred source of knowledge is assets managers, followed by broker dealers and then custodians. And the three most favored ways to learn are one-on-one training from an asset manager or provider; followed by on-demand video courses; and then live webinars with experts.



## Operations and implementation take time

Turning to operational issues, a quarter of advisors (26%) feel the work and resources required for implementation are hurdles to implementing DI with their clients. What's more, over half (52%) agree that integrating DI with their existing technology stack is challenging and just under eight in 10 (79%) expect some level of friction when implementing DI. Yet this appears related to product knowledge, as 89% of respondents that currently use DI regard implementation as easy, compared to 42% of those who plan to use DI, and just 32% with no plans to use it.

## Advisors have a strong desire to grow their knowledge<sup>5</sup>



<sup>5</sup>Base: interested in building knowledge of DI

## Providers can help

There's a high level of satisfaction among advisors with their DI platform providers. Almost all (98%) advisors are satisfied, suggesting that they're open to further support with education and implementation.

# Toward mainstream adoption

The main findings from this year's DI survey are important for advisors and asset managers alike. They signal that DI is becoming widely accepted among advisors, who see an opportunity among wealthy clients to use them as a tool for tax management and to reduce portfolio concentration.

---

**In 2024, our survey compared** the growth of DI to that of ETFs 20 years ago. As ETFs has proliferated, the wrapper has evolved from offering pure beta to options, single stocks and more actively managed strategies as managers try to differentiate in a crowded market. Similarly, we expect the DI providers to leverage the technology, including AI, to improve access and personalization to set themselves apart in the market.

**There's an important role for asset managers** offering DI solutions to provide the learning tools that advisors need for clients. They might also help advisors to integrate DI into their existing tech stacks.

In this way, DI platforms can help advisors to future-proof their offerings. After all, it's clear from our survey that DI is fast becoming an essential tool for them to remain competitive.

---

## Your index matters

FTSE Russell works across the market with direct indexing platforms and wealth managers, delivering innovative index solutions spanning asset classes that are increasingly in demand from direct indexing users. Our consultative approach fosters partnerships where we provide our learnings and market intelligence gained from supporting a host of direct indexing clients and constructing our transparent and well-recognized global indices.

**The index you use matters.  
We provide time-tested  
solutions that advisors and  
their clients can trust.**



**Ryan Sullivan**

Head of Buy Side Americas,  
Index Sales

[Ryan.sullivan@lseg.com](mailto:Ryan.sullivan@lseg.com)

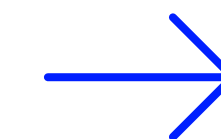


**Michael DiSanti**

Index Sales

[Michael.disanti@lseg.com](mailto:Michael.disanti@lseg.com)

**Learn more about FTSE  
Russell and direct indexing**



# About our research

The survey was conducted by independent research firm 8 Acre Perspective.

---

## It includes:

---

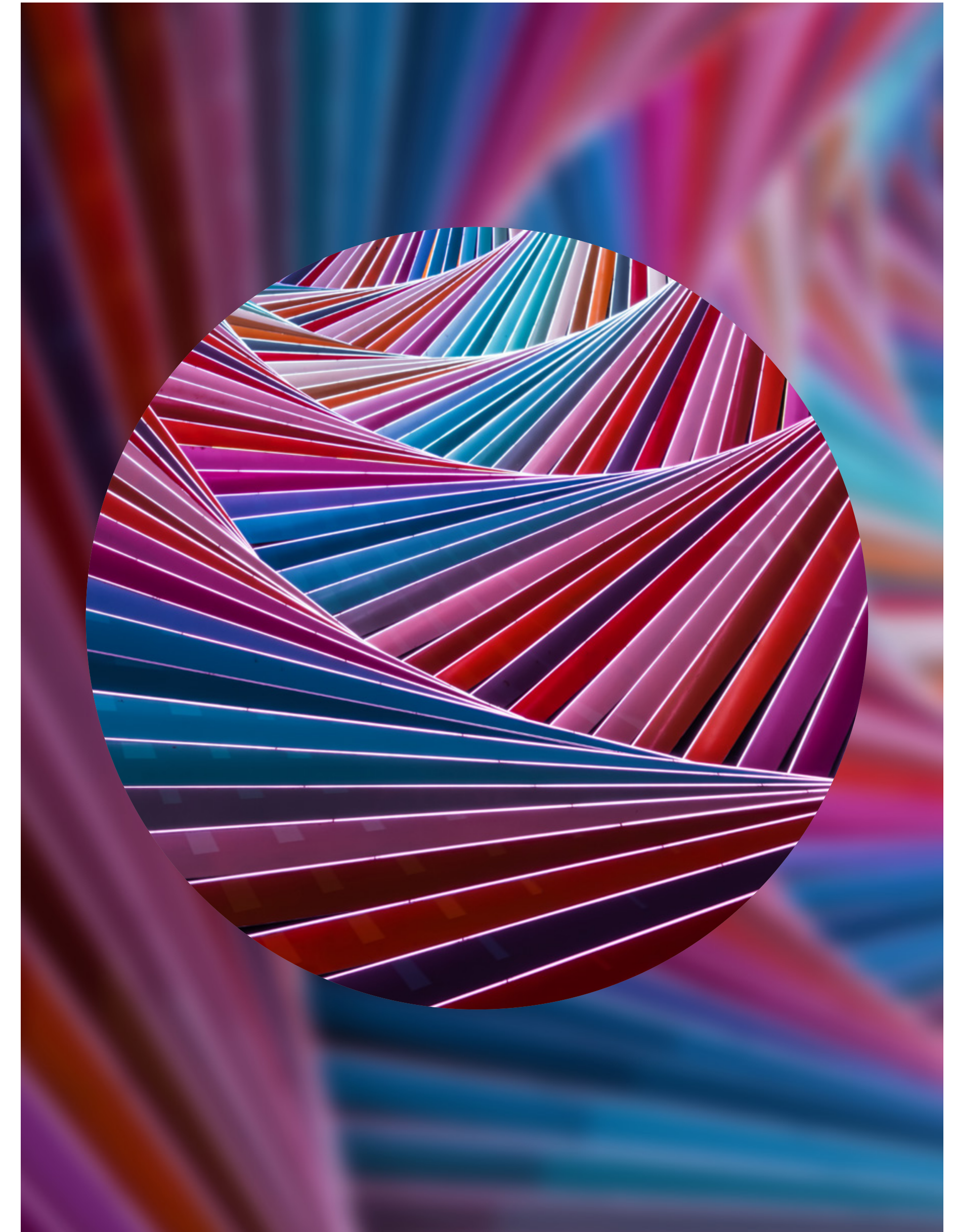
**Views from 402 financial advisors** between 07–24 March 2025.

---

**Advisors came from a mix of channels**, including wirehouses, traditional, independent broker-dealers and registered investment advisors.

---

**Forty-four percent of respondents' firms had \$200+ million assets** under management (AUM). The average across the total sample was \$419 million.



## Disclaimer

© 2025 London Stock Exchange Group plc and its applicable group undertakings (“LSEG”). LSEG includes (1) FTSE International Limited (“FTSE”), (2) Frank Russell Company (“Russell”), (3) FTSE Global Debt Capital Markets Inc. “FTSE Canada”, (4) FTSE Fixed Income LLC (“FTSE FI”), (5) FTSE (Beijing) Consulting Limited (“WOFE”). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, WOFE, and other LSEG entities providing LSEG Benchmark and Index services. “FTSE®”, “Russell®”, “FTSE Russell®”, “FTSE4Good®”, “ICB®”, “Refinitiv” , “Beyond Ratings®”, “WMR™” , “FR™” and all other trademarks and service marks used herein (whether registered or unregistered) are trademarks and/or service marks owned or licensed by the applicable member of LSEG or their respective licensors.

FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

All information is provided for information purposes only. All information and data contained in this publication is obtained by LSEG, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical inaccuracy as well as other factors, however, such information and data is provided “as is” without warranty of any kind. No member of LSEG nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the accuracy, timeliness, completeness, merchantability of any information or LSEG Products, or of results to be obtained from the use of LSEG products, including but not limited to indices, rates, data and analytics, or the fitness or suitability of the LSEG products for any particular purpose to which they might be put. The user of the information assumes the entire risk of any use it may make or permit to be made of the information.

No responsibility or liability can be accepted by any member of LSEG nor their respective directors, officers, employees, partners or licensors for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any inaccuracy (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analysing, editing, transcribing, transmitting, communicating or delivering any such information or data or from use of this document or links to this document or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if any member of LSEG is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

No member of LSEG nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of LSEG nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset or whether such investment creates any legal or compliance risks for the investor. A decision to invest in any such asset should not be made in reliance on any information herein. Indices and rates cannot be invested in directly. Inclusion of an asset in an index or rate is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index or rate containing the asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

This document may contain forward-looking assessments. These are based upon a number of assumptions concerning future conditions that ultimately may prove to be inaccurate. Such forward-looking assessments are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially. No member of LSEG nor their licensors assume any duty to and do not undertake to update forward-looking assessments.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of LSEG. Use and distribution of LSEG data requires a licence from LSEG and/or its licensors.

The information contained in this report should not be considered “research” as defined in recital 28 of the Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council (“MiFID II”) and is provided for no fee.

[Visit lseg.com/ftse-russell](https://lseg.com/ftse-russell)

## About FTSE Russell (LSEG)

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 40 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

---

To learn more, email [info@ftserussell.com](mailto:info@ftserussell.com); or call your regional Client Service Team office:

### EMEA

+44 (0) 20 7866 1810

### North America

+1 877 503 6437

### Asia-Pacific

HONG KONG +852 2164 3333

TOKYO +81 (3) 6441 1430

SYDNEY +61 (0) 2 7228 5659

**FTSE  
RUSSELL**

An LSEG Business