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Since Harry Markowitz introduced modern portfolio theory (MPT) in the early 1950s, the investment industry has been anchored to a single worldview (Markowitz 1952). Strategic asset allocation (SAA), an output of MPT, sets a target weight for each asset class, delegates each weight to a specialist team, and measures success sleeve by sleeve against a benchmark. The apparatus that grew up around this idea—including mean-variance optimization, the efficient frontier, asset-class taxonomy, organizational charts, compensation structures, academic coursework, and the entire consulting industry—has become so pervasive that it anchors most of our decisions and incentives. A fish doesn't know it's in water, and SAA is the water we swim in.

For decades, SAA worked well enough. The endowment model, popularized by the late David Swensen at Yale, expanded the opportunity set into alternatives without abandoning the asset-class architecture underneath (Swensen 2000). The Canadian Model, born out of the Ontario Teachers' Pension Plan in 1990 and now embodied by the "Maple 8," optimized governance and insourced talent without challenging that same architecture (CAIA Association 2024). Both were advances in thinking, but both kept the underlying DNA of asset-class buckets fully intact.

In recent years, a small number of sophisticated asset owners, sovereign wealth funds, and pension plans across New Zealand, Canada, Australia, Singapore, and beyond started asking a more fundamental question. The old question was how to allocate better within the constraints we put on ourselves as investment professionals. The new question is whether those constraints are needed at all. The answer became known as the total portfolio approach (TPA), and it represents the first real challenge to SAA's dominance across portfolio management.

This article makes the case that TPA's relevance extends well past the institutional world where it was born. Wealth managers and advisors serving high-net-worth and ultra-high-net-worth clients are running into the same structural strains that pushed sovereign wealth funds and pensions toward TPA in the first place. The remainder of this article introduces TPA's core architecture, explains why interest in it has accelerated, and then translates that architecture into something practical that will help wealth managers think through TPA's applicability to their own portfolio construction.

Why SAA Is Under Pressure

SAA is, in its traditional form, an elegant construct. A fund or a client determines long-term objectives and risk tolerance, translates those into target weights across a set of asset classes, and delegates management of each bucket to a team or manager whose job is to outperform an assigned benchmark. Performance gets measured sleeve by sleeve, which is rolled up to the portfolio level. Governance gets organized the same way. The board, or the client's investment committee, reviews the allocation periodically, usually on a multi-year cycle, and everyone else operates inside the guardrails that process produces.

This worked well in a world that was relatively static. Asset-class returns were strong, diversification was reasonably reliable, and the overhead governance was just becoming professionalized. But three pressures have built up (Filbeck 2026). First, teams and managers optimizing for their own sleeves are not always optimizing for the portfolio's aggregate objective, and the two increasingly diverge as risks blur and twist across asset classes. Second, strategies that do not fit neatly into an existing bucket—multi-asset credit, insurance-linked securities, certain hedge fund strategies, and more—tend to get excluded because there is no natural home for them in the policy framework. Third, and most relevant for wealth management, the proliferation of private markets and increasingly customized client mandates have made the asset-class taxonomy feel like it is describing a construct that is no longer applicable in today's product construction and capital formation trends.

Why does SAA persist? Part of the answer is that it is a model of measurement and convenience as much as it is a model of optimal portfolio construction. It gives stakeholders comfort, and it gives teams clear silo ownership along with clear accountability when something goes wrong inside that silo. Moving away from it requires a more collegial, collaborative posture, one where individual ownership gets subordinated to the client's end objective.

The Total Portfolio Approach

TPA is a holistic portfolio strategy that breaks down siloed thinking, aligns every asset to a single unifying purpose, and empowers investors to allocate capital dynamically across changing market environments (CAIA Association 2024). At the core of TPA is a simple idea: Every investment should earn its place in the portfolio. That is, an investment should be sufficiently attractive relative to the full set of available alternatives to warrant inclusion, not because it fills a predetermined bucket.

Every organization approaches the definition above differently, but TPA rests on four dimensions:

AN EMPOWERING GOVERNANCE STRUCTURE. Ownership of outcomes gets separated from ownership of implementation. The board, or the client, owns the objective and the risk tolerance. The chief investment officer (CIO), or the advisor, owns how that objective gets pursued day to day. As Roger Urwin of the Thinking Ahead Institute has put it, "SAA is comfortable governance but clunky portfolio management, while TPA is efficient portfolio management but stretchy governance" (CAIA Association 2025). Comfort and efficiency trade off against each other, and TPA asks an organization to give up some of the former to gain the latter.

A SINGLE PORTFOLIO CULTURE. Teams stop thinking in terms of asset classes and start operating as one portfolio with one purpose. Incentives align to the aggregate outcome rather than to sleeve-level performance. This sounds abstract until teams are forced to make capital allocation trade-offs. The hardest thing for investors who have built careers on asset-class expertise is to resist having capital reallocated away from their sleeves, even when they understand intellectually why it is happening.

COMPETITION FOR CAPITAL. Capital gets allocated based on a marginal contribution to the total portfolio, not on a fixed budget assigned to an asset class years earlier (CAIA Association 2024). This is the dimension that influences changes in the portfolio. In short, every single opportunity is competing for the marginal dollar across the entire portfolio, rather than "filling up buckets" of predetermined allocations. A venture capital manager competes with a large-cap growth manager who competes with an infrastructure debt manager, all with an eye toward improving the total outcome.

A FACTOR-BASED LENS. Rather than relying on asset-class labels, TPA-minded investors look through the underlying economic exposures, growth sensitivity, rate sensitivity, liquidity profile, and leverage that those labels often obscure. The intellectual roots of this dimension run through the factor and arbitrage pricing literature. Fama and French's identification of size and value factors beyond market beta, and Ross's arbitrage pricing theory before that, both established that an asset's return is better explained by its underlying risk exposures than by the label assigned to it (Fama and French 1992, 1993; Ross 1976). This scales across all assets. Two portfolios with identical asset-class weights can carry very different exposures, and the factor lens is what reveals the difference.

TPA is not the abandonment of rigor, and it is not an excuse for unconstrained discretion. In some ways, TPA aligns well with the spirit of MPT. It simply argues that formal optimization alone cannot do all the work. Portfolios get built incrementally over time, inputs are noisy, and constantly re-solving for an optimal portfolio in real time creates inefficient churn. TPA leans on heuristic, judgment-based approaches precisely because pure optimization is impractical at the pace and complexity most portfolios are facing (CAIA Association 2024).

Who Is TPA For?

Because TPA is a mindset and an approach to managing money rather than a prescriptive model, any investor can follow it. However, TPA is not suited for everyone. The most successful adopters share a few characteristics. These include an absolute return or Consumer Price Index (CPI)-plus mandate rather than a peer-relative one, teams willing to accept accountability for the whole portfolio rather than just their piece of it, and a board or governing body prepared to redefine its role from SAA decision-maker to risk-budget steward.

Two risks come up repeatedly among institutions that have made the transition. The first is leadership dependency. A TPA model that lives in the conviction of a CIO or a small group of senior practitioners, rather than in the institution's governance, compensation, and culture, is structurally fragile. The second is underestimating how much cultural change the transition requires. Organizations that complete the governance redesign and the compensation reform still find, years later, that people revert to sleeve-level thinking under pressure (Filbeck 2026; CAIA Association 2025).

The lesson for wealth management is similar. A firm can talk about total portfolio thinking, but if compensation, client reporting, and compliance frameworks are still built around sleeve-level, benchmark-relative thinking, the organization will gravitate toward SAA under stress. Governance and culture are the most important drivers of transition. They are also the easiest things to skip, because they are the hardest to measure and the hardest to change.

Translating TPA to Wealth Management

The institutional and wealth management worlds differ in obvious ways. No financial advisor is managing a sovereign mandate with a multi-decade horizon and a professional investment committee. Still, the structural problems both types of investors are trying to solve are similar. The translation below works through each of TPA's four dimensions, then includes a section on what changes operationally, with wealth management's specific constraints built in rather than assumed away.

Governance: The Client as the Governing Body

In the institutional world, the governing body is a board that sets the mandate and delegates execution. In wealth management, that role belongs to the client, and the financial planning process is where the mandate is determined. A thorough conversation about a client's return objectives, time horizon, and both willingness and ability to take risk is the wealth management equivalent of an investment policy statement. Get this conversation right, and the advisor earns the latitude to make portfolio decisions dynamically, without requiring a formal sign-off every time conditions shift.

This is also where wealth management's version of "stretchy governance" shows up. Clients are less institutionally patient than a pension's board. They feel volatility personally, in a way a board reviewing a quarterly report does not. The governance conversation in wealth management therefore needs an explicit discussion of behavioral guardrails as part of the governance dimension itself. Importantly, this dimension should focus on the outcomes as opposed to the mechanics of the portfolio. Rather than the client becoming hands-on with a prescriptive allocation makeup, wealth managers should document a client's tolerance for short-term deviations, playing the same role that a board's risk budget plays for an institutional CIO.

Single Portfolio Culture: Aligning the Team, Not Just the Client

For an advisory team, single portfolio culture means the investment committee, the relationship managers, and the planning staff all are oriented around delivering the client's outcome rather than defending their pieces of the process. In practice, this shows up in smaller ways than it does at a pension fund: It is the planning team and the investment team talking to each other before a portfolio decision gets made, rather than the plan dictating a risk number that gets handed off and implemented mechanically. It is also a willingness on the investment side to say, "This client's stated risk tolerance and the plan's required return are in tension," rather than selecting one to optimize.

Competition for Capital: Where Model Portfolios Meet Judgment

Most firms today build model portfolios anchored to SAA, a long-term target allocation that becomes, in practice, the default and the destination. TPA does not require discarding model portfolios, but it does require repositioning them. Individual client portfolios are allowed, and even expected, to deviate from the model when the market environment warrants it, within the guardrails established during the governance conversation.

Rebalancing is where competition for capital becomes a bit more tangible. Tactical asset allocation (TAA) and TPA are not the same, even though both may involve deviating from a static target. In TAA, the center of gravity remains the policy benchmark. The portfolio is always either overweight or underweight relative to it, and the entire framework is defined by the size and direction of that deviation. In a competition-for-capital framework, there often is no benchmark to return to. The center of gravity is the client's objective itself. Instead of asking how far the portfolio has drifted from target, the advisor asks what the portfolio would look like if it were built from scratch today. The incremental buys and sells are anchored around the contribution to the objective.

If SAA is chess, then TPA is Monopoly. Chess requires you to deploy a fixed set of pieces according to strict, predetermined rules. Every piece must be used, and the rules of how it can move never change. Monopoly has a single objective: Maximize what you have, and the path to get there is entirely a matter of judgment, responsive to what is happening on the board in front of you.

The Factor Lens: Seeing Past the Model Portfolio's Labels

Most wealth management allocation models are built and communicated in terms of asset-class weights: percent equities, percent fixed income, percent alternatives. But two model portfolios with identical headline weights can carry very different exposures to interest rates, growth, inflation, and credit risk depending on what sits inside each sleeve. A factor lens, whether built in-house or sourced from an asset manager's published factor models, gives a better picture of what a portfolio owns, independent of the labels on the buckets. This is probably the single most underused dimension of TPA in wealth management today, in part because it requires infrastructure that most firms have not yet built, and in part because clients understand asset-class labels far better than they understand factor exposures. That second problem is a communication challenge, not a reason to avoid doing the analysis internally.

What Institutional Adoption Tells Us About the Destination

A couple of institutional examples make the abstraction concrete. When CalPERS formally adopted TPA, it simplified its policy portfolio from 11 asset classes to a reference portfolio of two asset classes, moved to total-portfolio-only compensation, and eliminated asset-class-specific performance metrics entirely (Filbeck 2026). The simplification was designed to remove the bureaucratic weight of managing to micro-weights, freeing the investment team to focus on the portfolio.

New Zealand's Superannuation Fund, operating under a legislative mandate to maximize return without undue risk rather than a fixed CPI-plus target, has at points chosen to avoid entire asset classes when better opportunities existed elsewhere in the portfolio (CAIA Association 2024). Under a traditional SAA framework where certain asset classes would be mandated, that decision might be impossible. Under TPA, it is the logical consequence of asking every holding to earn its place.

When a client portfolio no longer is anchored to a prescribed allocation that it must always hold, the realistic opportunity set widens, and so does the quality of the decisions an advisor is able to make on the client's behalf.

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Implementation: Difficult, but Not Impossible

No institution that has successfully adopted TPA describes itself as finished. Many CIOs describe a constant, ongoing effort to resist what they call the "gravitational pull" back toward SAA, a pull that intensifies precisely when markets get difficult and the comfort of a fixed benchmark starts to look appealing again (CAIA Association 2025). If a fish doesn't know it's in water, then pursuing TPA is like a salmon swimming against the current.

Model portfolios built for scale and operational efficiency can work quietly against TPA thinking if the firm starts treating them as the destination rather than the starting point that they were designed to be. The infrastructure underneath most wealth management firms—trading systems, compliance monitoring, and client reporting—was built around static target allocations, and changing that infrastructure requires real, deliberate investment rather than a change in mindset alone.

Clients are themselves a source of friction in a way that boards are not. Not every client has the emotional tolerance to sit comfortably in an unusual-looking portfolio when markets get volatile, even if that portfolio is objectively well constructed. Tax and liquidity constraints further limit how purely TPA principles can be applied at the level of an individual client account, in ways that simply do not arise for a sovereign wealth fund with a multi-decade horizon and no individual liquidity needs to satisfy.

None of this makes TPA incompatible with wealth management. It means the transition, much like its institutional counterpart, should be understood as a spectrum rather than a binary switch to flip. The firms most likely to benefit are the ones willing to change the underlying question they ask themselves. The old question was about how close the portfolio sits to its target allocation. But the new question is whether this is the best portfolio that can be built for this client, right now, given the current market backdrop. That second question is harder to answer, but it moves wealth managers closer to better serving their clients.

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