VOLUME 1, ISSUE 2

TRENDS IN Wealth Management

DELIVERY

Leading wealth management firms today almost universally deliver their services with teams. Why?

Wealth management is really a collection of services that includes several financial disciplines each with its own product/service set. Since it is nearly impossible for a single professional to be an expert in every discipline, providers employ teams of experts. Team members have special qualifications and experience in each discipline, as well as the time and singular focus necessary to best serve clients' increasingly complex needs.

Also, wealth management clients are not all the same. Their financial needs can vary substantially as can their desired level of involvement and interaction style with their wealth management provider. The team-based model allows clients greater flexibility and choice in accessing targeted services and in working with professionals suitable to their personal predilections.

All Teams Are *Not* Created Equal

Wealth management teams tend to vary in design and structure in ways that reflect the traditional business and core competencies of the firms that employ them. On the following pages, we have identified three basic team structures in today's market.

Determining the Best Delivery Model

The trend in wealth management today is toward an increasingly comprehensive package of services that addresses the breadth of affluent clients' financial needs, from investments to banking to trusts and wealth transfer. Wealth market research suggests, not surprisingly, that affluent individuals value and expect high-touch personalized service, flexibility, convenience and competence from their service providers. Arguably, then, the best way to deliver such services is through teams of specialists working together in a coordinated fashion to deliver expert advice and direction proactively when needed. Teams generally need a quarterback that offers clients a go-to point of contact, but they also should be flexible and accessible at the client's discretion.

That being said, firms must recognize their core competencies and business models and align their delivery structures accordingly. Firms must also weigh trends in the affluent market place with regard to product and service expectations of the various wealth market segments and make sure that their value proposition and service delivery approach is consistent with the demands of their target markets.

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Traditional Private Bank Model

This is the most robust and integrated model in our taxonomy. It is used by the leading private banks, commercial banks, bank and trusts, and larger boutique wealth managers. Teams are constituted by area experts representing a broad range of financial services. Teams are led by a wealth management generalist who initiates client contact and remains as the default point of communication between the team and the client. All members of the team are of equal stature in service to the client and access to team members is ultimately at the client's discretion.

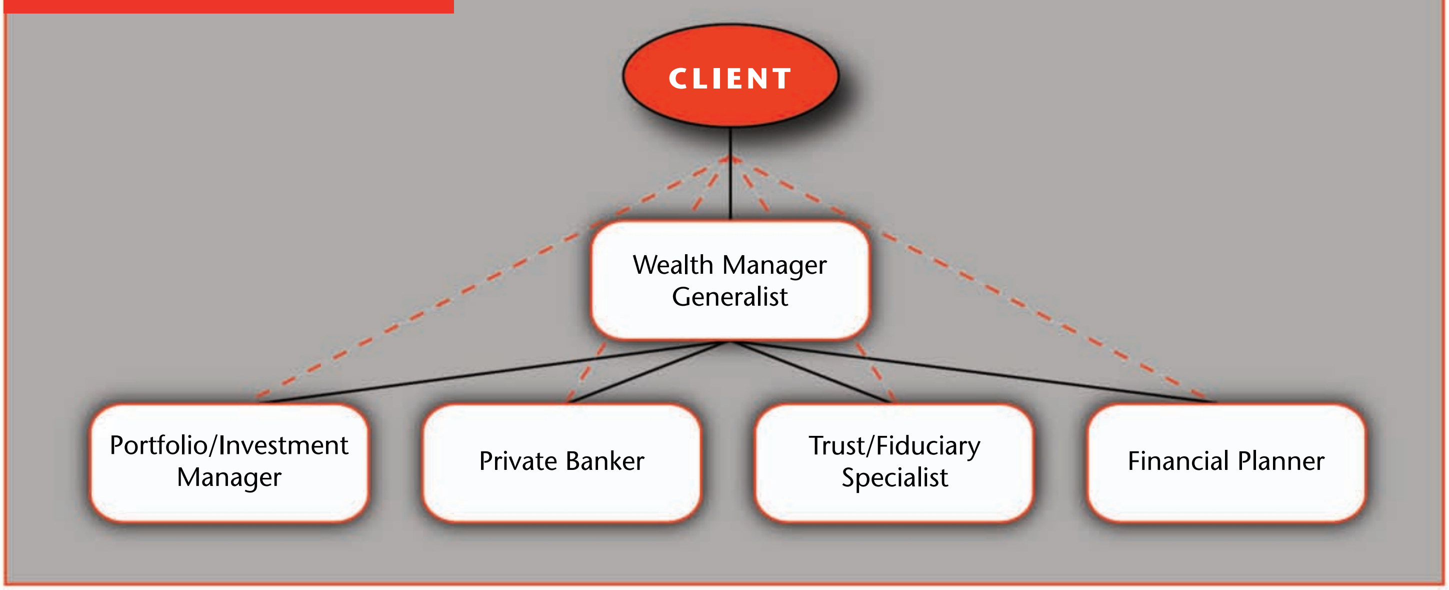
The core specialists on the team include portfolio managers, financial planners, private bankers and fiduciary specialists.

- **The portfolio manager** handles the client's investments and functions as the intermediary between the client and the asset management "manufacturing" capabilities of the wealth management provider. These latter typically include overall strategic and tactical allocation coupled with proprietary management and/or an open architecture manager/product search and selection capability.
- **Financial planners** provide more or less detailed financial plans that often serve as the foundation for portfolio structuring.
- **Private bankers** handle all credit and banking needs typically including collateralized lending, mortgages and other customized credit solutions.
- **Fiduciary specialists** handle all issues related to trusts, estates and wealth transfer.

Institutions that use this model have in-house capabilities across all these product/service areas including banking, asset management and trust. Their delivery systems are structured to provide client access to these services via a comprehensive and integrated framework. The framework aligns services with customer needs and customizes them on a client by client basis to maximize value.

When this model is used to best effect, clients should experience a flexible, service-oriented relationship that allows access to a product and knowledge rich provider via a battery of highly accessible experts available at the client's discretion.

Traditional Private Bank Model



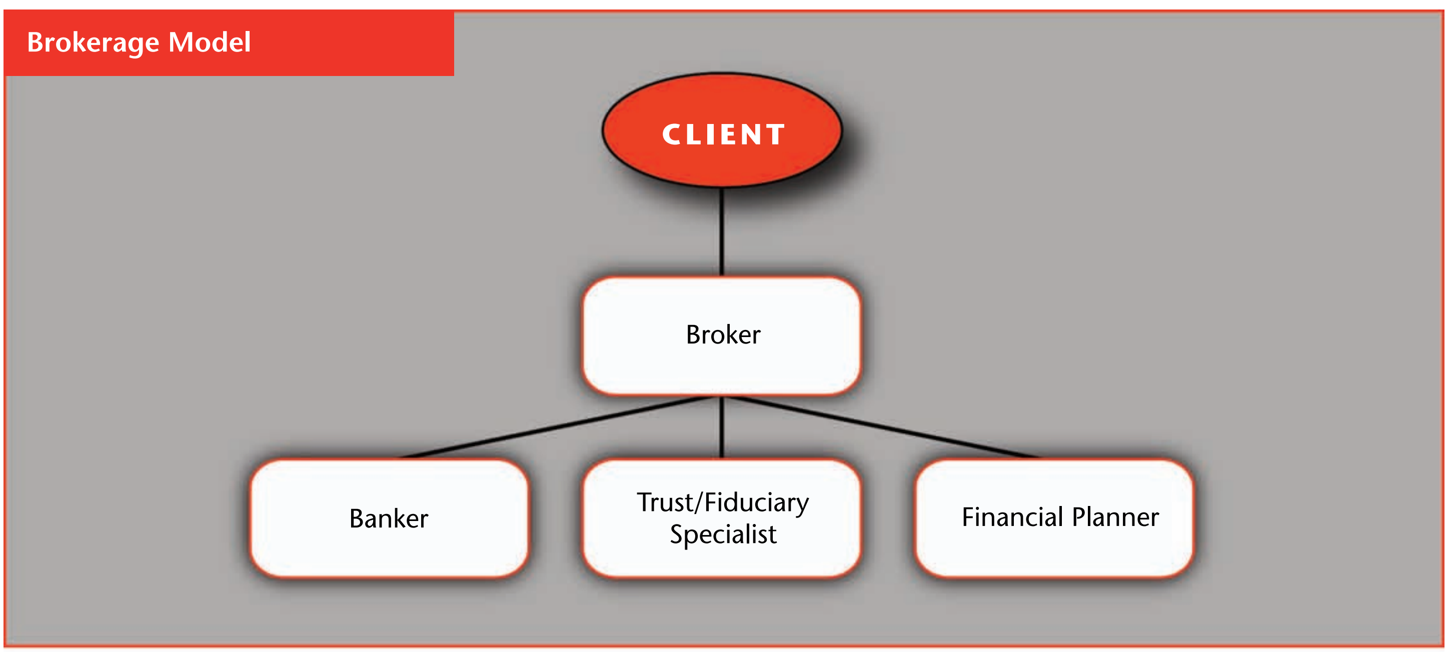
Brokerage Model

In appearance, the brokerage model is similar to the private bank model. But things are not always as they appear.

For leading brokerages, particularly those with banking powers, team specialists tend to represent the same basic areas as in the private bank model, i.e., planning, banking and trust. The principal difference lies in the role and stature of the team leader. For brokerages, the team leader is the broker or financial advisor. The broker initiates the relationship and remains the lead point of contact. In most instances, the broker also remains the primary investment manager and portfolio strategist.

Team specialists in this model are not of equal stature nor is it in the discretion of clients to adopt area experts as their primary points of contact. The lead broker owns the relationship and simply calls in experts when deemed necessary. The brokerage employs the experts as shared resources for the lead brokers.

This hierarchy is, of course, consistent with the traditional brokerage distribution model in which brokers function as entrepreneurs of a kind building their own books of business and utilizing the larger firm resources if and when it helps in the business development process. For the client, the brokerage model presents a different experience from that associated with the private bank. For better or worse, the value of the relationship with the team and the institution is diminished in favor of the overriding importance of the lead broker. The client must trust that the broker will make effective use of the team and the resources of the institution.



RIA/Wealth Manager Model

Registered investment advisors that manage assets for wealthy individuals and families have been an increasingly important part of the wealth management marketplace in recent years. These firms are relatively small, typically ranging in assets under management from $400 million to $10 billion. Their concentration is usually on investment management and financial planning but, as they increase in size and resources, may also include trust and other services.

Our research suggests that the majority of these firms use a team-based model for service delivery. Team structures vary in composition reflecting differences in each firm's resource level, size and service packages. However, most structures are variations of the one represented below.

The initial and primary contact point for the client is either an investment manager or planner or a professional that handles both planning and investments. The ongoing functional contact point for the client is the client service manager. This professional handles day to day issues and may even be integral to periodic reporting and account review sessions.

Larger RIAs may also have trust officers or trust advisory specialists. There are typically no private bankers since banking services are not included in the product package.

The RIA delivery model is economically efficient for the firm while providing an adequate level of service for the client. Even though the client deals primarily with client service staff, the relatively small size of the firms allows clients to have direct contact with senior planners and investment managers at their discretion.

RIA/Wealth Manager Model