What Wealth Wants: Refining Your Firm’s Approach to the High-Net-Worth Market
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*Created in collaboration with:*

FAinsight
The high-net-worth wealth tier is significant and growing. High-net-worth (HNW) households accounted for about 25% of U.S. investable asset share, totaling nearly $8 trillion in 2015. Market share of this wealth tier, defined in terms of households with investable assets in the $5 million–$25 million range, is expanding rapidly relative to the industry at large.

HNW clients share similar service expectations. These include responsiveness to client inquiries, customized solutions, more exclusive investment vehicles, and sophisticated wealth management expertise with regard to investments and taxes. Financing assistance represents another consistently demanded service component, particularly with business owners.

Fundamental servicing and infrastructure changes are required in order to ensure that HNW clients can be profitably and satisfactorily accommodated. The firm’s service set must evolve and grow deeper. More sophisticated products and solutions are needed. Client servicing must be of the highest caliber. Staffing must grow more specialized and offer deeper expertise. More intensive investment management and servicing needs dictate a more sophisticated operational infrastructure. Pricing must adapt in order to maintain profitability and accurately communicate value experienced.

HNW clients require markedly different services than less affluent clients. Estate planning, financial planning, investment management, investment consulting, philanthropic advice, tax planning and trust services respectively represent the most commonly offered services for firms serving average client sizes of $5 million or more in AUM. Compared to firms serving less affluent clients, HNW-focused firms have a much greater propensity for providing estate planning, investment consulting, philanthropic advice, trust services and bill management.

Private banking-related products become increasingly important solutions as wealth increases. The nature of HNW wealth requires that advisory firms expand their guidance beyond financial planning and asset management and work the liability side of the client balance sheet. Client liabilities are best managed with true private banking solutions, including collateralized lending, that are based on a client’s entire balance sheet.

In addition to high-touch servicing, larger client relationships require more staff members per client, as well as more specialized roles. Clients per full-time equivalent fall dramatically from 48 for firms servicing clients with less than $1 million in assets down to just five for firms servicing the $5 million or more client. Attorneys, accountants, and investment analysts are typically retained by HNW-focused firms in order to address the more complex challenges that tend to confront affluent clients. Multiple levels of advisory positions also become more common. Additionally, due to their often greater organizational complexity, firms that handle more affluent clients tend to employ a variety of dedicated management roles.

Thoughtful planning will greatly facilitate a firm’s transition to accommodating HNW clients. Firms should begin with a well-defined value proposition and strategic growth plan in order to economize scarce resources and set boundaries with regard to what type of HNW client the firm will work with and what will be provided to them. Identifying a network of trusted external support providers will be critical for filling any anticipated service gaps. Aspiring firms will also need a clear organizational plan that dictates required roles, responsibilities, and expertise, including a timeline for adding new roles.
Methodology

Much of the insight provided throughout this guide is applicable to firms serving clients of most any affluence level. The core focus, however, is on firms that serve, or aspire to serve, household relationships in the range of $5 million–$25 million in investable assets. These are the households generally defined as “high-net-worth” or “HNW” in this guide, unless otherwise noted. Occasionally, HNW is defined in slightly different terms because of restrictions with available data sources.

To prepare this guide, Pershing worked with industry research and consulting firm FA Insight. Industry data and executive interviews, combined with more than a decade’s worth of knowledge accumulated by FA Insight through direct consultation with many advisory firms, formed the basis for the findings and recommendations set forth in the guide.

Quantitative data includes special tabulations of the FA Insight advisory firm database, consisting of detailed financial and operating performance data for hundreds of advisory firms that have participated in the annual FA Insight benchmarking studies. Special analytical focus was devoted to those firms serving HNW clients.

FA Insight also gathered valuable perspective from Pershing executives, as well as executives from leading advisory firms catering to the HNW market. Individual 45-minute interviews were conducted with 10 different industry representatives who generously discussed their experiences and opinions with regard to HNW clientele. This input is shared throughout the guide.

Acknowledgements

We gratefully acknowledge the executives of the following firms who contributed their insights to this report.

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<th>Participating Firm</th>
<th>Location</th>
<th>Participants</th>
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<td>Balentine</td>
<td>Atlanta, GA</td>
<td>Erica Farber, Brittain Prigge and Jo Walthall</td>
</tr>
<tr>
<td>Edge Capital Partners</td>
<td>Atlanta, GA</td>
<td>Harry Jones</td>
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<td>Massey Quick</td>
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<td>Syntal Capital Partners</td>
<td>Midland, TX</td>
<td>Dane E. Crunk</td>
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<td>Waldron Private Wealth</td>
<td>Bridgeville, PA</td>
<td>Michael Krol</td>
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The HNW Market Opportunity

An $8 Trillion Opportunity

The lucrative high-net-worth market is in play and the stakes are high. In 2015, high-net-worth (HNW) households accounted for about one-quarter of the U.S. investable asset share, totaling nearly $8 trillion.¹ Market share of this wealth tier, defined in terms of households with investable assets in the $5 million–$25 million range, is expanding rapidly relative to the industry at large.²

Until recently, wirehouses and private banks tended to serve these high-value clients. Today, these traditional providers are showing signs of a loosening grip on this segment. Client preferences are shifting while independent advisory firms are expanding their capabilities to capture a greater share of HNW business.

Many advisory firms with aspirations of moving upmarket and competing for HNW business underestimate the breadth of business changes that are needed to be successful. Frequently, the primary focus is on business development while fundamental servicing and infrastructure requirements get insufficient attention. In order to sustain HNW success, a firm needs to evolve in a number of areas, including service offerings, staffing, operations, and pricing.

Significant and Growing

The HNW market segment represents a small share of U.S. households, but accounts for a significant share of the overall wealth market.

Just 28% of the 124 million households in the U.S. hold investable assets of $100,000 or more (Figure 1). About 1 million, or less than 1% of all households, have $5 million or more in liquid or investable assets. The combined assets of these households, however, totals $10.6 trillion—about one-third of all investable assets. The bulk of those with more than $5 million in assets are the 920,000 households in the $5 million–$25 million range. Households within this HNW wealth tier account for one-quarter of all U.S. investable assets.

² Unless noted otherwise, all references to “high-net-worth” or “HNW” throughout this guide refer to individuals or households with investable or liquid assets in the range of $5 million–$25 million.
Figure 1: Distribution of Investable Assets, 2015

Not only do HNW households represent a significant share of investable assets, but trends suggest this share will continue growing. Households with a net worth of $5 million or more (excluding primary residences) are the fastest growing in recent years (Figure 2). From 2008 to 2014, growth of the $5 million–$25 million segment was second only to those households of $25 million or more in net worth.
Projections indicate a continuation of this trend. According to forecasts from Credit Suisse, the number of U.S. millionaires is expected to increase 39% from 2014 to 2019.³

Who Are the HNW?
Wealth alone does not define a market segment. Who are the HNW and what are their advice preferences? Affluent households share commonalities but many distinctions exist as well, as summarized ahead.

Sources of Wealth
The most important factors of wealth creation cited by HNW investors all relate to personal achievement. In a recent survey “hard work,” “education,” or “smart investing” were cited by 90% or more of individuals with $5 million–$25 million net worth (excluding primary residence). Reasons related to good fortune are also common. More than 50% of HNW individuals cited “taking risk,” “being in the right place at the right time,” and “luck” as factors behind their wealth. As for other wealth creation factors, HNW investors were nearly as likely to cite inheritance (29%) as they were business ownership (32%).⁴
Propensity to Seek Professional Advice

Of those investors with $5 million or more in investable assets, about 70% maintain some type of relationship with a financial advisor. Of those HNW who are not self-directed, most retain multiple advisors. Nearly two-thirds (64%) of households worth $10 million or more work with more than one advisor, compared with 38% of those worth less than $1 million.

Age

Not surprisingly the typical HNW investor is older, with an average age of 65. Three-fifths are over 65 and just 4% are under 50 (Figure 3). While small in number, the youngest age group in this wealth tier actually averages highest in net worth. Average net worth (excluding primary residence) for a HNW investor under age 50 is $10.2 million, compared with the lowest average net worth of $9.2 million for those in the 55–64 age group. Consistent with a largely older demographic, 63% of HNW investors are retired, with another 14% semi-retired.

Figure 3: HNW Investors by Age, 2014

![Figure 3: HNW Investors by Age, 2014](image)

Note: HNW defined in terms of net worth, excluding primary residence, between $5 million–$25 million.
Source: Based on data from Spectrem Group, 2014.

Education and Occupation

Virtually all HNW investors are high school graduates and 94% have college degrees. Forty-five percent have advanced degrees. A Masters of Business is the most common advanced degree, followed by law and medical degrees. Consistent with their levels of education, HNW investors often have established careers as professionals or senior executives. One-quarter work (or have worked) as professionals; 17% as corporate executives. Another 7% worked in information technology and 6% described their primary occupation as entrepreneur or business owner.

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8 Ibid.
Service Preferences

Certain service expectations can be generalized across the HNW wealth tier. These include responsiveness to client inquiries, customized solutions, more exclusive investment vehicles, and sophisticated wealth management expertise with regard to investments and taxes.

“Our clients are successful families and are generally very busy. Because they place a high value on their time, the ability for them to pick up the phone, talk to a person regardless of the time or day, and know that their issue will be handled is extremely important to them,” stated Dane Crunk, managing director at Syntal Capital Partners. Crunk was among several interviewed executives who emphasized the importance of responsiveness.

The ability for them to pick up the phone, talk to a person regardless of the time or day, and know that their issues will be handled is extremely important.

Alluding to expectations of wealth management expertise, Michael Krol, CFO and chief service officer of Waldron Private Wealth, emphasized that most HNW clients share a whole new level of concerns unrelated to simply outspending their savings. They view the use and impact of their wealth in ways that differ from less affluent clients.

Krol explained, “The investment management paradigm really shifts. The integration of estate planning and managing investments within the tax and trust arena becomes ultra-relevant.” Client demand also rises with regard to philanthropy and impact investing.

Virtually every interviewed executive stressed the HNW client’s expectation for customized solutions, borne out of typically complex and unique circumstances. As Matthew Fleissig, President of Pathstone Federal Street, put it: “At Pathstone Federal Street, every client engagement is very customized, but we believe that we have built a firm that has internalized all the service disciplines that our clients expect and can benefit from.”

Financing assistance and access represents another consistently demanded service component, particularly with business owners. Unlike less affluent clients, HNW financing needs most often relate to a shortage of liquidity and are not necessarily due to lack of assets. This results from HNW clients who frequently hold valuable illiquid assets ranging from shares in a closely held business to real property or restricted stock. If large purchases or acquisitions are needed, HNW clients need guidance and solutions for best leveraging existing intangible assets in a way that minimizes interest costs and tax consequences.

Age-Based Distinctions

Distinctions in preferences emerge when dissecting this wealth tier in terms of sources of wealth and age. An obvious example is clients 60 or older who tend to be more concerned with wealth preservation, charitable giving, and estate planning.
Those under the age of 50 are poised to evolve advisory servicing in new directions. They are more apt to value the competence of an advisor over chemistry or personality and base their choice of advisor on multiple sources of information. Sources may include rating services, online reviews and rankings lists, in addition to the more traditional reliance on friends or family. Related, they tend to place a high degree of importance on transparency in their financial relationships and an alignment of interests between the client, the advisor, and the advisory firm.

Dane Crunk with Syntal sums up these generational differences in terms of younger clients tending to have more of a transactional view of their advisor. For example, they want most to understand the advisor’s investment strategy and how they will benefit from it. In contrast, older clients tend to be more relationship-based, focusing more on getting to know the advisor personally.

In general, these younger HNW clients demonstrate more skepticism and scrutiny of their advisors. Younger HNW investors are also likely to scrutinize the contents of their investment portfolios. For many of these investors, the ability of their investments to direct social and environmental change is just as important as investment return.

Technology is another area of service where younger HNW clients, particularly those in their 30s or younger, are driving new approaches to service. Harry Jones, co-managing partner with Edge Capital Partners, notes that these clients demonstrate less patience for in-person meetings (and meetings in general) and expect advisors to communicate and share information with them electronically.

Brittain Prigge, a partner with Balentine, adds that many of their firm’s younger clients are explicitly requesting that the firm not send them paper. In contrast, Prigge shared the story of one client in his mid-70s who declined the firm’s offer of an iPad to more easily view account information, preferring to have this on paper instead.

**Variance Because of Sources of Wealth**

Source of wealth is another key factor that dictates service preferences as well as another way that younger and older HNW clients differ. The needs of an individual who has just experienced a sudden liquidity event such as a sale of a business, for example, will differ vastly to those required by an entertainment professional or business owner.

A 2015 survey of HNW individuals found that 81% under the age of 49 credited “hard work” as a primary source of their wealth. This compares with 96% overall. Relative to other age groups, these younger investors were more likely than others to cite “inheritance” and “family connections” and less likely to credit “education.”

The profile on Syntal Capital Partners features a firm that prospers with a HNW client base by applying a niche market focus. Source of wealth is a key common factor across Syntal’s target clients. The principals of Syntal recognize there are many different HNW client profiles and that choosing to specialize on one well-defined market niche ensures both greater profitability and marketing effectiveness.
Syntal Capital Partners: Niche Market Focus Facilitates Success

Dane Crunk and Chad Clary left the Private Banking & Investment Group of Merrill Lynch to form Syntal Capital Partners in 2012. The two established the new firm out of a desire for more flexibility to meet client needs. Starting with six team members when founded, Syntal consists of 11 team members with oversight responsibility for about $450 million in assets under management as of November 2015.

Much of the firm’s success can be credited to focus. The bulk of firm clients fit a singular niche market. Target clients are energy industry entrepreneurs and business owners—a perfect fit given Syntal’s headquarters in Midland, Texas. Situated in one of the country's most productive areas for oil and natural gas extraction, the city is also a hub for the region’s energy industry.

The managing director, Crunk, characterizes the firm’s energy-related clients as “very diverse” in terms of investment-related needs. “They’re always involved in the business cycle, either raising equity, borrowing money, liquidating assets, or reinvesting assets. As such, they are heavy consumers of financial products,” explained Crunk.

Crunk elaborated that once a liquidity event is about to occur, competition is intense for these target prospects. To get in front of its Midland competitors, Syntal developed an expertise in what the firm refers to as “pre-liquidity planning.” This includes a variety of consulting services that do not necessarily revolve around buying stocks or asset allocation.

Another example of Syntal’s focus is the firm’s deliberate attempt to concentrate expertise around asset management. To round out the firm’s ability to provide HNW clients with related expertise, Syntal works with a narrow group of estate planners, commercial bankers, and investment bankers who are also specialty niche players in the energy field. Specific to investment management, Syntal is sensitive to energy sector concentration and will aid clients in steering liquid assets to where they are not correlated to energy.

Serving HNW clients can be demanding and challenge firm profitability. By focusing on a narrow niche market, Syntal is better able to anticipate the needs of that type of client and provide a high level of client satisfaction. Additionally, its niche focus allows the firm to provide deep client service in a cost-effective way. Crunk summarized, “When I think about our success, it goes back to developing the niche. We became an expert in the niche, we set out to give great service and we spend a lot of time trying to differentiate what we do on a daily basis.”
Economic Opportunity

Special tabulations of the FA Insight advisory firm database offer unique insight into how financial and operating performance metrics change as firms service increasingly larger relationship sizes. For comparison, firms were divided into four groups according to the average relationship size of households served. Firms primarily catering to institutions (as opposed to households) were excluded from the analysis (Figure 4).

**Figure 4: Comparison of Firm Performance Based on AUM Size of Average Client, 2014**

<table>
<thead>
<tr>
<th>Median Performance Indicators</th>
<th>Average Client Size by AUM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;$1M</td>
</tr>
<tr>
<td>AUM per Client</td>
<td>$471,264</td>
</tr>
<tr>
<td>Active Clients</td>
<td>267</td>
</tr>
<tr>
<td>Annual Revenue</td>
<td>$980,000</td>
</tr>
<tr>
<td>Overhead Expense Margin</td>
<td>32.3%</td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>25.7%</td>
</tr>
<tr>
<td>Total Owner Income</td>
<td>$499,500</td>
</tr>
<tr>
<td>Income per Owner</td>
<td>$349,200</td>
</tr>
<tr>
<td>Revenue per Professional</td>
<td>$448,135</td>
</tr>
<tr>
<td>Operating Profit per Client</td>
<td>$963</td>
</tr>
<tr>
<td>Revenue per AUM Dollar (Basis Points)</td>
<td>83</td>
</tr>
<tr>
<td>Revenue Growth, 2014</td>
<td>17.7%</td>
</tr>
</tbody>
</table>

Source: FA Insight proprietary data.

The typical client for those firms with an average client size of $5 million or more in assets is nearly $15 million. This is about 30 times greater than the nearly $500,000 median for firms with an average client with less than $1 million in AUM. While operating profit margins are similar for both firm groups, income per owner for those firms serving the largest clients is more than double.

Operating costs increase and the revenue yield on AUM and revenue growth decreases, however, as firms serve larger clients. The sheer scale of their operations, combined with a significant productivity advantage in terms of revenue per professional, outweighs these disadvantages and supports increasing levels of income as the size of clients served increases.
Competing Providers

In light of the ample and growing market HNW clients represent and the income potential in serving them, providers are varied and competition is intense. Wirehouses and private banks have long dominated the market for HNW assets. Traditionally, these leading providers have had the advantage of scale and the ability to offer a greater scope of services. Their dominance is slipping in recent years, however, because of tarnished brands, a heavy reliance on proprietary products, and weaknesses in providing a close and customized level of service. Independent advisory firms are increasingly gaining favor.

Explained Joe Belfatto, managing partner at Massey Quick, “Because the big institutions have a lot of clients, they can’t give the level of service, individual attention, and customization that a RIA can provide. The other advantage is those [high-net-worth] clients are more sophisticated—they understand and appreciate the conflicts that the big brokerages have. So if you get an opportunity to get in front of one of their clients, you can make a pretty compelling case.”

Brittain Prigge with Balentine was among several executives that noted clients and prospects are becoming more attuned to the merits of a fiduciary advisor. “People are doing their own research now and are understanding the differences in firms,” said Prigge.

As shown in Figure 5, the wirehouse channel holds the greatest HNW market share, managing 42% of the relationships of those with investable assets of $5 million or more. Private banks, trust companies, and RIAs (including multi-family offices) follow respectively.

*Includes direct providers, independent broker-dealers and others.
Note: HNW defined in terms of more than $5 million in investable assets.
While the RIA/multi-family office market share is currently only 4%, these independent firms pose an increasing threat to the traditional HNW market leaders. According to a 2014 survey, boutique wealth managers now carry a much higher brand cachet than bigger firms among multimillionaires. While boutique independent firms rose to the top of their rankings list, several of the biggest firms, including Merrill Lynch and UBS Private Wealth Management, continued an ongoing descent toward the bottom.¹⁰

Preferences of affluent Millennials and Generation X and Y members further suggest independent firms will continue growing market share within the HNW wealth tier. A 2015 survey found that among investors 45 years and younger with incomes of $150,000 or more, 38% work with an independent advisor. This compares with 28% of individuals 65 years and older at similar income levels.¹¹

The edge for independent firms is predicated on maintaining largely untarnished reputations while providing comprehensive, customized advice with limited conflicts of interest. Additionally, these firms have complete flexibility in tailoring their businesses to work with clients who best align with the strategic vision and competencies of the firm. Further, independent advisory firms benefit from service provider innovations, enabling them to better compete with larger-scale providers. Turnkey asset management programs, RIA service agents, and specialist software providers all contribute to a more level playing field.

**Business Requirements for HNW Success**

Fundamental servicing and infrastructure changes are required in order to ensure that HNW clients can be profitably and satisfactorily accommodated over the long term. Beyond business development effort, seven business areas are especially essential for evaluation and potential change:

- **Service set**—Service offerings must evolve and grow deeper.
- **Products and solutions**—Greater client complexity requires more sophisticated products and solutions.
- **Service delivery**—Responsiveness and timely solutions are a fundamental HNW expectation.
- **Scale**—Greater scale, while not absolutely critical, eases a firm’s ability to meet HNW needs.
- **Staffing**—Roles must grow more specialized and offer deeper expertise.
- **Operations and technology**—HNW investment management and servicing needs demand a more sophisticated operational infrastructure.
- **Pricing**—Pricing must expand beyond traditional AUM-linked charges in order to maintain profitability and accurately communicate value experienced.

All of these business areas are addressed in detail ahead.


Evolution of the Service Set

FA Insight survey data reveals that firms, regardless of the size of clients served, show little variation in the number of services they routinely provide clients. Either directly or through strategic partnerships, firms serving the largest clients are routinely providing 10 different financial-related services, the same number of services offered by those firms serving the smallest client sizes. However, the quality and types of services that feature most prominently vary tremendously as client size changes.

Presented below are the 10 most frequently offered services of those firms with an average client size of $5 million or more. While these offerings tend to be most common, the exact suite of services a firm provides will invariably be determined by the specific type of HNW client the firm chooses to target.

Figure 6: Typical Services for Firms Serving >$5M Relationships, 2014

<table>
<thead>
<tr>
<th>Service</th>
<th>Rank</th>
<th>Frequency</th>
</tr>
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<tbody>
<tr>
<td>Estate planning</td>
<td>RANK 1</td>
<td>90%</td>
</tr>
<tr>
<td>Financial plan development</td>
<td>RANK 2 (tie)</td>
<td>80%</td>
</tr>
<tr>
<td>Investment consulting</td>
<td>RANK 2 (tie)</td>
<td>80%</td>
</tr>
<tr>
<td>Investment management—discretionary</td>
<td>RANK 2 (tie)</td>
<td>80%</td>
</tr>
<tr>
<td>Philanthropic/charitable giving</td>
<td>RANK 2 (tie)</td>
<td>80%</td>
</tr>
<tr>
<td>Tax planning</td>
<td>RANK 6 (tie)</td>
<td>70%</td>
</tr>
<tr>
<td>Trust services</td>
<td>RANK 6 (tie)</td>
<td>70%</td>
</tr>
<tr>
<td>Cash-flow analysis</td>
<td>RANK 8 (tie)</td>
<td>60%</td>
</tr>
<tr>
<td>Retirement planning</td>
<td>RANK 8 (tie)</td>
<td>60%</td>
</tr>
<tr>
<td>Executive stock options</td>
<td>RANK 10 (tie)</td>
<td>50%</td>
</tr>
<tr>
<td>Investment management—non-discretionary</td>
<td>RANK 10 (tie)</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: FA Insight proprietary data.

The exact suite of services provided will additionally vary according to what other advisors the HNW client may already be tied to working with. These clients may frequently work with a number of professionals that play supporting roles in wealth management. The key for firms that serve this wealth tier is to remain flexible and be open to collaborating with other advisor types.

Explains Erica Farber, Balentine’s director of operations, “One of the things that I’m proudest of is that we’re not trying to replace clients’ trusted advisors. We’re actually working as closely with those advisors as we can, so that we can be the quarterback of the relationship and best assist the client to be successful in the arena of advisors that they’ve already given trust.”
Five leading service offerings are provided by 80% or more of the firms that cater to the most affluent clients. Of these, only financial plan development is consistently in the top five for firms catering to smaller relationship sizes. As Figures 7 and 8 display, certain services receive greater emphasis when serving high-net-worth clients, whereas other services are provided less frequently.

Figure 7: Charitable Giving and Trust Services Gain Particular Prominence With Larger Client Size

Estate planning grows to become the most commonly offered service for those firms serving average client sizes of $3 million or more. Investment consulting, where the firm assists with research and recommending other investment managers but does not have direct custody, is routinely offered by about half of firms that serve smaller clients. In contrast, investment consulting among HNW-focused firms is among the most commonly offered services. This relates to the more complex asset management needs of HNW clients and the inability of any one firm to adequately meet these needs directly.

Also highlighted in Figure 7, trust services and assistance with philanthropy and charitable giving are routinely provided by only a minority of small client firms but are commonplace for firms that service HNW clients. Bill management and payment is another service that grows more typical when serving larger clients.

While not readily apparent in the survey data, it should also be noted that HNW clients frequently impose a host of “miscellaneous” demands on the advisory firm. These demands require support in areas that do not neatly fit into a major service category and include areas such as fine art or collectibles purchases, livestock management, family staff hiring, or yacht financing. While the advisory firm may not directly be able to address these needs, they frequently play a type of “general contractor” role, drawing from a network of vetted providers that can assist in these areas.
Just as certain service demands increase with client size, other services commonly offered to smaller clients become less routine (Figure 8). These include retirement planning, personal insurance, college savings planning, and securities brokerage.

**Figure 8: Services Typical for Smaller Clients Fall Out of Favor As Client Size Grows**

<table>
<thead>
<tr>
<th>Services</th>
<th>Percentage of Firms Offering</th>
<th>&lt;$1M</th>
<th>$1M–$3M</th>
<th>$3M–$5M</th>
<th>&gt;$5M</th>
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<tbody>
<tr>
<td>Retirement planning</td>
<td>92%</td>
<td></td>
<td>91%</td>
<td>70%</td>
<td>60%</td>
</tr>
<tr>
<td>Insurance (Life, Disability, LTC, Health)</td>
<td>73%</td>
<td>72%</td>
<td>70%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>College savings</td>
<td>43%</td>
<td>40%</td>
<td>30%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Brokerage</td>
<td>19%</td>
<td>19%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: FA Insight proprietary data.

**Products and Solutions**

As service offerings must adapt to meet the needs of more affluent clients, so too must the products and solutions associated with offering a particular service.

With increasing client wealth, investment portfolios obviously grow larger. More importantly, however, objectives for wealth differ, with most HNW clients more concerned about return of capital as opposed to return on capital. Composition of assets represents another significant change, with HNW clients often holding illiquid assets.

**Banking Solutions Focused on Both Sides of the Balance Sheets**

As one result, serving HNW clients dictates that advisory firms expand their guidance beyond financial planning and asset management and work the liability side of the client balance sheet.

Whether it is for construction, large real estate transactions, aircraft purchases, or other reasons, HNW clients often have major credit needs. Firms are positioned to offer HNW clients significant value in terms of credit access, reduced interest, and limited tax consequences. HNW credit needs often extend beyond what can be served by unsecured pledge loans and typically require leveraging existing assets through collateralized lending. Consequently, the credit side of the balance sheet becomes critical in the advisor-client relationship.
HNW liabilities are best managed with true private banking solutions that are based on a client’s entire balance sheet. The client obtains the most optimal terms by applying lending products that are able to leverage underlying collateral. Typical private banking products include commercial loans, jumbo mortgages, investment credit lines, life insurance premium financing, and escrow services.

To offer these solutions, independent advisory firms are often best served by affiliating with a service agent or custodian that can provide these added capabilities “in-house” as opposed to the firm developing a separate relationship with a private bank.

Security of Assets

While investors at all levels want safety and security of their assets, the issue becomes increasingly important as wealth increases. The right custodial affiliation can play an important role in addressing security concerns and, as a result, facilitate attracting and retaining HNW clients.

Advisory firms targeting the HNW wealth tier would be well-served to affiliate with an established custodian. A history of reliability, transparency of operations, and routine regulatory oversight are all qualities that appeal to HNW clients and prospects. The ability to offer bank custody is also a frequent plus, particularly with families of generational wealth who may have a long history and high comfort level with bank custody.

Wide Array of Investment Options

To meet client expectations as well as genuine client needs, the HNW-focused advisory firm must be capable of offering clients a wide range of investment options.

As qualified investors, HNW clients have the ability to invest in many more types of vehicles than less affluent clients. More importantly, their level of wealth and unique requirements for diversification, hedging, or capital protection, often requires a broad menu of investment options in order to craft the most appropriate solution.

Regardless of need, HNW clients expect their advisors to have investment products available that go beyond “plain vanilla.” As Dane Crunk with Syntal explained it, “Clients want to feel like they are getting differentiated products. When a potential client talks with us and then goes to a competitor, I win if we’ve got more to offer. Even if the client will never use these products, at the point of purchase it becomes a factor.”

When a potential client talks with us and then goes to a competitor, I win if we’ve got more to offer.

Examples of such HNW-associated products could include private equity, commodities, hedge funds and access to boutique managers that are unavailable to more typical retail investors.

Global Capabilities

The financial affairs, families and investments of HNW clients are often global. HNW-focused firms can respond by affiliating with a service agent or custodian that offers global wealth management capabilities, including security clearing and custody in foreign markets and managing exchange rate sensitivities.
Meeting HNW Service Standards

In working with HNW clients, how service is provided is as important as what services are provided. Interviewed executives consistently stressed high-quality client service as a key distinction for HNW-focused firms relative to those firms serving less affluent clients.

Among them was Harry Jones at Edge Capital: “The biggest difference is service. That is the bottom line. Our average relationship size is about $12 million–$14 million. Clients in this range have complex needs and high expectations, rightfully, in terms of service.”

The biggest difference is service.
That is the bottom line

The most frequently mentioned features that comprise HNW-level service include the following:

› **Anticipation**—HNW-focused firms work to gain intimate familiarity with their clients in order to anticipate and address many client needs well before the client is aware that an issue may exist. Syntal Capital, keen to emphasize service, does a good job of this because of good internal communication and a niche market focus. Serving primarily one client type provides Syntal with an excellent understanding of likely client needs. The firm’s teaming structuring facilitates information sharing about specific clients. Both factors combine to enable Syntal to stay one step ahead of pending client needs.

› **Willingness**—HNW clients are rarely denied service requests. While firms may not have the capability to directly meet a need, they are willing and able to provide a properly vetted referral as well as coordinate the work of this referred provider. Waldron Private Wealth, for example, maintains a list of around 100 different services that clients could conceivably need. If a service cannot be provided directly, a suitable provider is identified and Waldron coordinates service delivery with the external provider to ensure alignment with the client’s overall objectives.

› **Responsiveness**—Firms cater to HNW clients with responsiveness. Interviewed executives consistently emphasized the high value of their clients’ time and the importance of dealing with clients in the most timely and efficient manner possible. Team members are readily accessible and a variety of communication channels are offered to clients. Whether the client prefers contact via a mobile phone, online, or in-person meeting, the firm is ready to respond. Typical is Balentine, where the firm’s target is to reply back to any voice or email message within two hours, with an absolute limit of responding by the end of day of the inquiry. Up-to-date online provision of data and information further supports clients’ expectation for timely answers.

› **Flexibility and customization**—HNW-focused firms offer choices for clients, tailoring service delivery to best suit the preferences of individual clients. To this end, Massey Quick launched a Women’s Network to address the unique needs of women as well as a Wealth Creation initiative, aimed at providing financial planning services to young people poised to become the HNW individuals of tomorrow. Joe Belfatto, the firm’s managing partner, summarized, “Everything we do is customized case by case, depending upon the client’s unique situation and circumstances.”

Pathstone Federal Street, featured in the sidebar profile, offers a comprehensive example of a firm that understands each of these service standards well.
Pathstone Federal Street: Clients’ First Call for Solving Problems

A single family office structure replicated across multiple families characterizes the Pathstone Federal Street family office business model. Headquartered in Fort Lee, N.J., with multiple locations, Pathstone offers multi-generational families customized investment solutions and strategic wealth management. The lower end of the firm’s HNW client base begins at $20 million in assets per family and often ranges much higher.

By putting client service “at the top of the list,” firm president Matthew Fleissig said Pathstone has quickly emerged as one of the industry’s most elite firms. The firm served 19 families when it launched in 2010 and grew this number to 49 by late 2015. Following its recently completed combination with Boston’s Federal Street Advisors, Pathstone Federal Street is among the largest independent RIAs in the country. Combined assets under advisement post-merger are approximately $6.5 billion.

Pathstone’s approach to providing for clients has few boundaries. “If you can dream it, we can do it. We don’t say no,” Fleissig asserted. The firm offers a full suite of essential HNW service offerings, including investment oversight, tax services, accounting and financial reporting, estate planning, and philanthropic assistance. Pathstone also offers a wide array of other services. Depending upon the needs of the family, firm support could include conducting background checks and overseeing payrolls for family staff, managing vacation properties, consulting on health care providers, delivering new cars, or chartering planes.

The bulk of the firm’s services are provided directly by Pathstone team members. Should client preference or a gap in firm expertise dictate the need, the firm maintains the flexibility to team with other providers in order to craft solutions that best meet client needs.

Pathstone meets HNW service standards by coupling its “can do” service attitude with a dedication to responsiveness. Service teams typically travel to meet with clients at a location of the client’s choosing when in-person meetings are required. Daily time-weighted investment performance reporting and up-to-date balance sheet and accounting information is constantly available for clients to access via an online portal.

People are core to upholding Pathstone service standards. Consequently, the firm works hard to identify and cultivate the right individuals capable of delivering high-quality client service. A healthy culture contributes to the service ethic. “If employees are happy, clients are happy” defines the Pathstone ethos. Multi-disciplinary training with emerging leaders and a high partner-to-employee ownership ratio further supports a high service orientation among team members.

Pathstone’s service measures help to achieve the firm goal of being their clients’ “first call for everything.” As Fleissig summed up, “Even if they don’t have anything to do with financial matters, we solve problems for a living. At the end of the day, that’s what we do.”
The Importance of Scale

A clear positive correlation exists between the size of a firm and the average asset level of its clients (Figure 9). The typical firm that serves client sizes of $5 million or more generates about $11 million in annual revenues and manages about $2.7 billion in assets with about 30 team members, nearly five of which are owners. Compared with those firms serving relationships under $1 million, the HNW-focused firm is about 11 times larger in terms of revenue and six times larger in terms of full-time equivalents.

![Figure 9: Bigger Clients Correlate With Bigger Firms](image)

<table>
<thead>
<tr>
<th>Median Scale Indicators</th>
<th>Average Client Size by AUM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;$1M</td>
</tr>
<tr>
<td>Annual Revenue</td>
<td>$980,000</td>
</tr>
<tr>
<td>AUM ($millions)</td>
<td>127</td>
</tr>
<tr>
<td>Total FTEs</td>
<td>5.0</td>
</tr>
<tr>
<td>Total Primary Owners</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Source: FA Insight proprietary data.

Interviewed executives were largely in agreement that size of firm does matter when catering to HNW clients. Harry Jones, with Edge Capital, stressed that only firms of a sufficient size could afford the investments needed to provide high-quality service for these complex clients. Joe Belfatto at Massey Quick pegged the minimum firm size at $1 billion in AUM for firms that are serious about succeeding with HNW clients.

Despite Balentine approaching nearly 30 in terms of its total team members, Brittain Prigge was quick to point out that, for her firm, size was not the most important factor for serving HNW clients. According to Prigge, more critical is the ability to offer clients access to a broad range of expertise or solutions. Size is less relevant as long as the firm has an effective process for offering this access.

Dane Crunk, with Syntal, also held a slightly different perspective, emphasizing experience over size as key to HNW success. As Crunk explained, “The most important thing is that clients don’t feel like they’re a guinea pig. ‘How many clients do you have that look just like me?’ If the firm can’t answer that question, then you probably don’t want to be with them.”

While not necessarily a hard and fast requirement for successfully servicing larger relationships, greater scale creates many advantages. These include the ability to maintain more specialized expertise, ensure service continuity, provide more responsive and higher touch service, achieve buying power (especially as it relates to operations and technology expenditures), provide greater access to more exclusive investment products, and develop greater brand awareness.

That said, firms with more limited scale can, and do, have success with HNW clients under the right circumstances. Their ability to do so depends upon the extent to which they can form partnerships with related providers as well as their ability to narrowly define a targeted market niche in order to limit the breadth of services the firm is required to provide.
Staffing Up

While the typical HNW-focused firm maintains significantly more staff members, their most important staffing distinction relates to composition. Larger client relationships along with more specialized and high-touch servicing requires more staff members per client and more specialized roles. Figure 10 details these observations.

Indicating the increased attention that more affluent clients demand, clients per FTE falls dramatically from 48 for firms servicing clients with less than $1 million in assets down to just five for firms servicing the $5 million or more clients. Much of the increase in staff devoted to clients is on the non-professional side—those individuals who do not have direct responsibility for relationship management or business development. HNW-focused firms maintain a non-professional-to-professional ratio of 2.3, nearly double that of firms serving the smallest relationship sizes.

Figure 10: More Affluent Clients Dictate Greater Staffing Resources

<table>
<thead>
<tr>
<th>Median Staffing Indicators</th>
<th>Professionals</th>
<th>$1M–$3M</th>
<th>$3M–$5M</th>
<th>&gt;$5M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionals</td>
<td>2.0</td>
<td>3.0</td>
<td>6.0</td>
<td>9.3</td>
</tr>
<tr>
<td>Dedicated Management</td>
<td>0.0</td>
<td>0.0</td>
<td>1.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Technical Specialists</td>
<td>0.0</td>
<td>0.5</td>
<td>1.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1.0</td>
<td>2.0</td>
<td>7.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Administrative Staff</td>
<td>1.0</td>
<td>1.0</td>
<td>1.4</td>
<td>8.0</td>
</tr>
<tr>
<td>Non-Professionals per Professional</td>
<td>1.3</td>
<td>1.4</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Clients per FTE</td>
<td>48</td>
<td>22</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>AUM per FTE</td>
<td>$22,823,530</td>
<td>$35,027,776</td>
<td>$55,629,084</td>
<td>$86,768,172</td>
</tr>
</tbody>
</table>

Source: FA Insight proprietary data.

Attorneys, accountants, and investment analysts are typical examples of technical specialist positions that HNW-focused firms maintain in order to provide the capabilities required to address the more complex investment, tax, and estate challenges that tend to confront affluent clients. Additionally, by nature of their often bigger size and greater organizational complexity, these firms more prevalently employ a variety of dedicated management roles, such as CEO, COO, operations manager, and directors of HR or marketing.

Multiple levels of advisory positions also become more common when handling more affluent clients. This directly relates to the clear advantage for teams in serving larger relationship sizes. Teams can be more responsive to client needs and provide deeper expertise and greater service continuity relative to a client’s reliance on a single individual.

A typical team may consist of three to five individuals depending upon client complexity. A lead advisor will have ultimate responsibility for the relationship. An associate advisor or support advisor will contribute toward research and preparation of advice recommendations. A client service associate will handle administrative tasks. Depending upon the client, technical specialists may be brought in on an as-needed basis.
Along with more structured service teams, the HNW-focused firm also tends toward well-defined functional divisions. These commonly include operations, investments, administration, and servicing divisions.

Waldron Private Wealth (see sidebar profile) offers an advanced example of effective staffing and organizational structure for HNW client servicing.

**Waldron Private Wealth: Differentiating on the Basis of People**

Waldron Private Wealth has catered exclusively to HNW families for more than two decades. Founded in 1995, the boutique wealth management firm serves relationship sizes ranging from $5 million to over $300 million. As of late 2015, the firm's 33 employees supported about 130 clients, representing about $1.3 billion in assets under management.

Michael Krol, Waldron's CFO and chief service officer, said the firm's value proposition centers on having a team in place that understands the complexities associated with managing significant wealth. Valued advisory services are delivered in ways that reflect this understanding.

Waldron identifies about 100 different services a family of significant wealth might potentially need. The firm maintains the capabilities to provide many of these services directly. Among the titles and certifications found within Waldron are Certified Financial Planner®, CFA Charterholder, CPA, lawyer, insurance specialist, real estate specialist, and certified divorce financial analyst.

While expertise is critical for delivering on its value promise, so too is the number of people Waldron deploys and how they are organized. A primary metric for the firm is staff-to-client ratio. The firm adheres to a target of four team members for every one client relationship. This ensures sufficient staffing to adequately resolve HNW issues and, as Krol explained, “The firm is set up to deliver differentiated service.”

Service teams are a key characteristic of Waldron’s organizational structure. Teams serve two important purposes in Krol’s view, “The first is that we have a diverse team that in any given client situation is looking at different perspectives of the client’s wealth. And then two: The team is custom constructed based upon a particular client’s needs and complexities.”

Regardless of client type, Waldron service teams will have the same core position composition. At minimum, every team has a wealth counselor, an investment specialist, a dedicated client service specialist, and a planning specialist. The experience and capabilities of each of these positions will differ slightly, however, according to the needs of the client. For example, a recently divorced client would be assigned a wealth counselor that is familiar with the issues faced when one goes through a divorce. Beyond these core positions, expertise of additional team members may also be called upon as needed.

Other important structural characteristics of the firm include investment team members who collaborate on a centralized investment process. Waldron also maintains an operations group with a heavy focus on technology and is building out more centralized financial management and business development functions.
Operations and Technology

HNW clients place heavy requirements on a firm’s operational infrastructure from two primary perspectives: investments and client service. Typical HNW investment holdings are diverse (tending to range across multiple custodians), frequently unique, and often illiquid. Monitoring and transacting across this wide variety of holdings, many of which may not be under the advisor’s direct purview, poses unique challenges. To the extent possible, firms make use of commonly available stock technology to assist in the management of these investments. Invariably, however, these disparate holdings require a variety of customization and often manual processes.

Massey Quick is one firm that has made big investments in operations, including investment-related technology. The firm built out its own database to custom screen managers and funds, giving them the capability to analyze 500 different investment opportunities in a given year. The firm also recently researched and invested in new planning software.

To better manage complex investment functions as well as improve workflow in general, Pathstone Federal Street created a dedicated capital markets desk. As Matthew Fleissig at Pathstone Federal Street detailed, “Everything feeds through them, which has really lifted off work from our advisors.” Supporting the desk team is a customized version of the CRM software Salesforce. The results support processes that are easily and accurately replicated, whether they involve making a trade, initiating a wire transfer, or opening a new account.

Higher service expectations from HNW clients further stretch the operational capabilities of those firms that service them. Clients expect convenience and responsiveness in their communications with the firm. They have limited patience for repeating the same request twice or having a request be misinterpreted. As a result, successful HNW-focused firms offer a variety of communications platforms for clients. They also invest in robust CRM systems that accurately capture client requests and facilitate the firm’s ability to effectively address these requests in a timely manner.

To improve efficiency, better interface with clients and move to paperless processing of accounts, Massey Quick recently developed a new Salesforce-based technology. In combination with another software provider, Skience, the new system allows processes to flow more seamlessly and efficiently.

Related to both investments and the client experience, another important operational capability is the ability to provide HNW clients real-time status views of their various investment holdings, including the value of these holdings and their rates of return. Other systems provide up-to-date views of client balance sheets and bill payments.

At Pathstone Federal Street, for example, clients can log in online to view the current daily time-weighted performance of their investments. Massey Quick deploys eMoney Advisor software which offers a user-friendly portal for clients to view a consolidated picture of their finances and make projections. Edge Capital also recently upgraded its reporting system for more effective and secure online information delivery to clients.

Pricing

As their clients grow in affluence, firms manage ever larger portfolios and address a greater breadth of service needs. Without review and evaluation, pricing levels and structure may no longer be applicable. This threatened lack of relevance comes in two forms: 1) pricing may no longer ensure profitable service provision; and 2) pricing may no longer accurately reflect how the firm is providing value for its clients.
According to FA Insight data, firms that progress beyond client sizes of $3 million are virtually fee-only in terms of their revenue sources (Figure 11). As shown, fees linked to some percentage of assets under management generate the bulk of fee (as well as total) revenue for larger firms. Lagging far behind are flat retainer fees and fees that either vary according to a particular project or hours expended. Lastly, there are a host of “other fees” such as account set up or account transfer fees, tax preparation fees, loan fees, or bill paying fees.

![Figure 11: Firms Serving Highest Wealth Tier Maintain Diversified Fees](image)

Source: FA Insight proprietary data.

While the source of fee revenue for most firms is typically based on client assets managed, HNW-focused firms show a greater tendency to also rely on other types of fees. Firms servicing clients in the $3 million–$5 million AUM range receive an average of 97% of fee revenues from an AUM-linked fee. This revenue share drops to 89% for those firms serving clients with $5 million or more.

Layering advice retainer or event-driven fees on top of an asset-linked fee can be an effective pricing structure for HNW-focused firms for two key reasons. First, it allows firms to differentiate between clients who may have similarly sized portfolios but very different demands on the advisory firm in terms of additional services provided and their associated costs. Second, moving away from a strictly AUM-based fee better highlights the value of the many non-investment-related services that the advisory firm provides its HNW clients.

Among the advisory firms represented in the interviews, firms were mixed in terms of a strict adherence to an AUM-linked fee. Those firms most reliant on fees tied to assets tended to focus on investment management or simply prefer the fee structure because of its simplicity. As Harry Jones with Edge Capital Partners stated, “It’s an all-encompassing thing. It’s simple and our clients appreciate knowing that we’re not going to bill them for something else.”

At Syntal Capital Partners, the firm relies primarily on an AUM-linked fee as well, but with accommodations for revenue to better align with effort expended. While most firms vary the AUM fee only according to portfolio size, Syntal further factors in client complexity.
Other firms tend to account for client complexity in their charges by combining various fees. At Waldron Private Wealth, however, there is no separate AUM-based fee. The firm completely customizes its charges based on the specific client situation.

Michael Krol of Waldron summed up the firm’s thinking as follows: “There are many situations where services needed and overall level of wealth doesn’t correlate directly to a liquid investment level of wealth. So we look at client complexity and services needed. Then we can generally assign a dollar value fee and figure out how that fee makes sense in the context of their overall wealth or liquid investments.”

“There are many situations where services needed and overall level of wealth doesn’t correlate directly to a liquid investment level of wealth.”

Summary and Recommendations

Building a business to serve HNW clients can be an ambitious undertaking. While good planning and preparation can help to expedite a firm’s path to serving more affluent clients, many firms currently enjoying success with this wealth tier are doing so only after investing years of effort. Clearly the potential rewards this wealth tier offers are worth the investment, however.

While small in number relative to households in general, the 920,000 HNW households in the U.S. represent a significant share of opportunity in terms of investable assets and financial advice needs. Once the domain of major “brand name” institutions, HNW clients are increasingly attracted to independent providers. Owners of independent advisory firms that target HNW investors can expect to generate income well above that of their peers.

Key Considerations

To successfully accommodate HNW clientele and reap these rewards largely depends on how well the firm is equipped with the following:

- **Well-defined value proposition**—Defining what it is the firm will be known for and how it will best provide valued outcomes for targeted clients is important for any firm. This becomes absolutely critical for success when a firm is working within the HNW tier. Clients can be demanding, with nearly limitless needs for advice and assistance. The value proposition, working in combination with the firm’s growth strategy, helps to economize scarce firm resources by setting boundaries with regard to who the firm will work with and what will be provided.

- **Solutions and servicing that specifically addresses HNW needs and preferences**—In general, HNW clients expect customized solutions, exclusive products, and timely responses to inquiries. Specific services that are occasionally made available to less affluent clients become mandatory for HNW clients. This includes support related to estate planning, investment consulting, charitable giving, and trusts, as well as private banking solutions that optimize management of a client’s entire balance sheet.

- **Elite-level staff**—HNW-focused firms tend toward more experienced and credentialed team members. Roles are more specialized as well, often including attorneys, accountants, investment analysts, and dedicated managers. Across all positions, team members are deeply service-oriented.
Operations and technology that efficiently meets demanding requirements—For HNW servicing, a firm’s operational infrastructure is critical for meeting demanding needs in the most efficient way possible. The best systems smoothly integrate the flow of data and processes, minimize errors, provide flexibility for customization, facilitate timely results, and enhance the client experience.

Pricing that ensures profitability and accurately communicates value received—HNW clients expect more from their advisors than less affluent clients. Furthermore, these demands can vary greatly from client to client. As a result, HNW pricing requires careful evaluation and structure to ensure that each client relationship is a profitable one and that charges best reflect the value proposition of the firm.

Making the Transition

Thoughtful planning can greatly ease the challenges in adapting a firm to accommodate more affluent clients. When charting a specific course of action, firms would be well-served to prioritize the following four recommendations:

Narrow your focus. The HNW wealth tier sets boundaries around who the firm serves, but it is not a market niche. While affluent clients do have service-related commonalities, those firms that are truly successful recognize the need to cater to a particular HNW client type. Identifying a narrow market niche within the HNW wealth tier, in addition to distinguishing the firm from competitors, helps to limit the expertise and resources the firm will require for success. Focus is especially important for firms with limited scale that are least prepared to “be all things for all clients.”

Enlist external providers. HNW service expectations are high, yet few firms have the scale and resources to directly address all client needs. Firms should not feel compelled to directly solve every client problem, but they do need to provide a qualified and vetted referral for a professional that can. The most successful HNW-focused firms maintain a cadre of related professional service providers they can draw upon to help meet client needs. The smaller the firm, the more important a network of trusted external support providers becomes. If warranted, these services can always be brought “in-house” when greater scale makes it more cost effective to do so.

Staff deliberately. Good people are central to success for any advisory firm. This is especially true for those firms serving HNW clients. To develop an elite team that is truly HNW-capable, a firm needs a clear organizational plan. This plan will dictate required roles, responsibilities, and expertise, including a timeline for adding new roles. To better attract and retain valued personnel, firms also cannot overlook the importance of competitive pay and benefits, career paths, opportunities for equity, and a healthy working environment.

Be responsive. HNW clients expect issues to be addressed in a convenient and timely manner. Meeting this expectation for responsive service is a function encompassing people, processes, and technology. Relative to other firms, HNW-focused firms require additional investment in all of these areas to ensure requests are met in a timely manner.

In summary, the HNW wealth tier may be small in number but it is rich with assets and opportunity. High-net-worth clients have high expectations, and competition for them is intense. Real potential exists, however, to build success with these clients by refining your firm’s approach to meet their complex needs.
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