



## **Taking on the Role of Lead Advisor: A Model for Driving Assets, Growth and Retention**

# Table of Contents

<b>I. EXECUTIVE SUMMARY</b> .....	1
<b>II. THE STATE OF INVESTOR-ADVISOR RELATIONS</b> .....	2
Loss of Trust Prompts Clients to Leave .....	2
Investors Not as Satisfied as Advisors Think .....	3
<b>III. STATE STREET AND KNOWLEDGE@WHARTON SURVEY RESULTS</b> .....	4
Why Investors Leave Their Advisors .....	4
Why Investors Manage Their Own Money .....	4
Why Some Investors Use Only One Advisor .....	6
Why Investors Use Multiple Advisors .....	6
Investors May Be Multiplying Risk, Not Reducing It .....	7
Lack of Transparency Presents Opportunity for Advisors .....	8
Demand for Comprehensive, Personalized Financial Advice .....	9
<b>IV. BEST PRACTICES FROM UP MARKET</b> .....	11
Prove, Differentiate Value .....	11
Practice Relational Skills and Educate Clients .....	12
Best Practices from Lead Advisors of Ultra High Net Worth Investors .....	12
Eliminate Conflicts of Interest .....	12
Open Architecture Approach .....	12
Transparency in Fees .....	12
Align Resources and Demonstrate Competency .....	13
Support Recommendations with Data .....	13
Listen, Empathize and Educate .....	13
<b>V. SCALING THE LEAD ADVISOR MODEL TO UNDERSERVED MARKETS</b> .....	14
Scaling Down Market .....	15
<b>VI. BUILDING YOUR BUSINESS AS A LEAD ADVISOR TO THE EMERGING AFFLUENT</b> .....	16
Assess Personal Fit and Professional Readiness .....	16
Assess Firm’s Readiness .....	16
Three Models for Delivering Comprehensive Financial Advice .....	17
<b>VII. MARKETING FOR LEAD ADVISORS</b> .....	18
Define the Target Market .....	18
Create a Unique Value Proposition .....	18
Communicate Value .....	19
<b>VIII. PLAY THE LEADING ROLE, REAP THE BENEFITS</b> .....	20
<b>IX. ACKNOWLEDGEMENTS</b> .....	22

# I. Executive Summary

The 2008-2009 global financial crisis dealt a severe blow to investor confidence in financial markets, including regulators, ratings agencies and those on the front-line of risk management—personal financial advisors. Following the crisis, investors grew distrustful of the financial advice they had received and the products their advisors had sold them.

As a result, many investors pulled money away from their advisors, either to manage it on their own or to redirect assets to other—often multiple—advisors, whom they perceived as being more independent and better able to provide customized advice.

But using multiple advisors, often with little or no communication among them, has led many investors to unwittingly increase risk rather than dilute it as intended. That is because using multiple advisors to work out portfolio strategies independently often can lead to overlapping exposures or to divergent allocations that result in neutral market positions. Additionally, investors who use one advisor, but who also invest a portion of their assets themselves, may also suffer the same fate if they aren't sharing what they are doing with their advisor. In both of these scenarios, investors can easily and mistakenly take on too much or too little risk relative to their financial goals.

Given the potential pitfalls, investors may want to consider appointing a lead advisor to oversee the entire investment portfolio and ensure it is structured in a way that best supports both short- and long-term goals.

This special report looks at the implications of failing to have a lead advisor at a time when investors are searching for unbiased, personalized financial advice they can trust. It also offers practical insights into how advisors—in a post-crisis world—can rebuild trust and differentiate their value by becoming the lead advisor for emerging affluent investors, a grossly underserved market segment.

As part of this report, State Street Global Advisors (State Street) and Knowledge@Wharton surveyed investors and advisors to probe how the crisis affected the ways investors now work with financial advisors. The survey also gauged investors' expectations for service from their advisors. Respondents include more than 800 investors of various sizes and over 2,000 advisors who serve investors with varying levels of assets.

The survey uncovered many insights about the status of relations between investors and advisors today, most notably the following:

- Mistrust runs at a high level among investors of all sizes. More than ever, investors desire unbiased, personalized financial advice they can trust.
- While investors are clearly concerned about transparency and about their risk-adjusted performance in a post-crisis world, they could be unintentionally sabotaging both by failing to provide their advisors with complete information about the amount and placement of their assets.
- Investor respondents with multiple advisors generally lacked an aggregate view of their financial health because no single advisor had been assigned to play—or had stepped up to play—the role of lead advisor. Consequently, these investors may have put themselves at increased risk of not meeting their financial goals.

***“..using multiple advisors to work out portfolio strategies independently often can lead to overlapping exposures or to divergent allocations that result in neutral market positions.”***

- Not surprisingly, ultra high net worth (UHNW) investor respondents who work with multiple advisors were more likely than investors with fewer assets to have a primary advisor who was both aware of the other advisors and could offer insight into their decisions and performance.
- Through interviews with leading family office advisors and wealth managers who serve UHNW investors (segments known for exemplary service in the delivery of holistic and highly customized advice), we uncover the best practices that typically result in higher retention rates and greater satisfaction levels, regardless of the market's performance.

Finally, this report looks at ways advisors can scale the best practices of UHNW advisors to the mass affluent market as well as to their existing client base. Experts at State Street as well as Wharton, and top advisors to UHNW investors, take a close look at the following:

- how to assess if taking on the lead advisor role is the right move;
- how to structure an advisory business to support a lead advisor role; and
- why today's market conditions may offer opportunities for willing advisors to take the lead.

## II. The State of Investor-Advisor Relations

Better access to information about investing, along with the market's strong performance in the lead-up to the global recession, helped boost investor confidence in the market and even in providers of investment products and advisory services.

But, as Christopher C. Geczy, director of the Wharton Wealth Management Initiative and an adjunct finance professor at Wharton, cautions, "Don't confuse a bull market with genius." Unfortunately, that's exactly what many investors did. When the market sunk, so did investor trust. Many lost faith in the market and in the value of financial advice.

During the recession, industry surveys have documented the movement of high net worth (HNW) assets away from wirehouse brokers and toward independents and multi-family offices. The advisors who fared best at retaining and even winning new HNW clients through the downturn had positioned themselves as objective purveyors of comprehensive, customized financial advice. In other words, if investors trusted an advisor to guide them in all of their financial affairs without bias and with their best interests at heart, the advisor was more likely to retain their business and perhaps even garner referrals.

In light of this trend, experts at State Street and Wharton looked more closely at how investors' use of financial advisors was evolving in the wake of the financial crisis. More importantly, they also looked at what the more successful UHNW and family office advisors do to retain clients and even grow business in a volatile economic environment, and whether advisors to the emerging affluent could apply those best practices to better serve their own clients regardless of market movements.

***"Don't confuse a bull market with genius... When the market sank, so did investor trust. Many lost faith in the market and in the value of financial advice."***

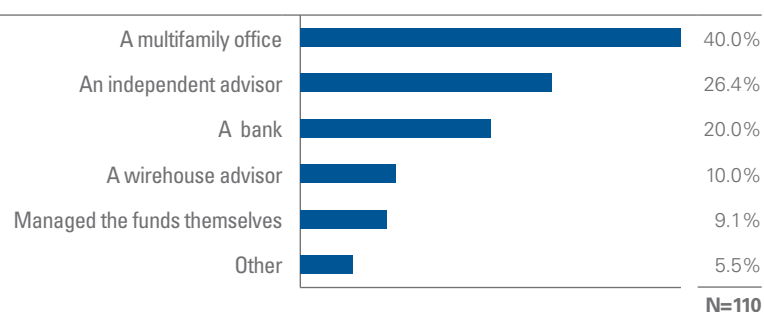
### LOSS OF TRUST PROMPTS CLIENTS TO LEAVE

According to Capgemini's 2009 *World Wealth Report*, loss of investor trust and confidence prompted more than a quarter of HNW investors surveyed to withdraw assets from their wealth management firm or to leave that firm altogether in 2008.

In a separate 2008 survey conducted by Hannah Shaw Grove and Russ Alan Prince, nearly half of investors interviewed said they had taken assets away from a primary advisor in favor of another professional. According to Grove and Prince, these moves were intended either to send a "clear message of frustration" to advisors or to manage the risk of concentrating assets with a single provider—or both.

Interestingly, most chose to then place their assets with boutique firms and independent advisors, citing a desire for "customized solutions, high-touch service and impartial advice" (Figure 1).

**FIGURE 1: Money on the Move — Assets Taken Away from Primary Advisor**



Source: *Where It Hurts—Affluent Investors Deliver a Punitive Message by Taking Money Away from Advisors*; Hannah Shaw Grove and Russ Alan Prince, January 2009.

NOTE: Some respondents moved assets to more than one type of provider causing the percentages in Figure 1 to total more than 100%.

## INVESTORS NOT AS SATISFIED AS ADVISORS THINK

Only a small percentage of investors interviewed by Grove and Prince gave their advisors more assets to oversee, took advantage of soft market conditions to explore a wider range of products and services, or provided new business referrals (Figure 2).

**FIGURE 2: Investors Send Punitive Message to Advisors**

ACTIONS	ACTIONS IN 1/09
Took money away from the advisor	48.2%
Recommended that other investors avoid the advisor	15.8%
Recommended that other investors avoid the advisor's firm	14.9%
Left their advisor	14.5%
Gave their advisor additional assets to manage	3.5%
Obtained non-investment products	1.8%
Recommended the advisor to other investors	1.3%
Recommended the advisor's firm to other investors	0.4%
	N=228

Source: *Where It Hurts—Affluent Investors Deliver a Punitive Message by Taking Money Away from Advisors*, Hannah Shaw Grove and Russ Alan Prince, January 2009.

In its 2010 *World Wealth Report*, Capgemini describes the crisis as a “watershed event that deeply affected the psychology of the HNWI investor.” Similar to Grove’s and Prince’s analysis, Capgemini concludes that a pervasive mistrust persists among investors, even as markets have begun to rebound. These findings dovetail with those of the joint State Street and Knowledge@Wharton survey, which began in 2009 and ended at the end of the first quarter of 2010.

### III. State Street and Knowledge@Wharton Survey Results

In late 2009 and early 2010, State Street and Knowledge@Wharton surveyed over 2,000 advisors and nearly 800 investors to get each group’s perspective on the role and value of a primary advisor following the global economic crisis. This report combines analysis of those survey results with input from experts at State Street and Wharton, and from successful practitioners.

The joint research and interviews suggest that adopting a more holistic approach to providing financial advice, and scaling it to the needs of emerging affluent investors, may ultimately help advisors to differentiate themselves in a crowded marketplace, win or retain a larger share of assets, and better satisfy investors who have grown increasingly skeptical of the value of advice.

This report also considers how advisors can begin to build or re-focus their businesses by taking on the role of lead advisor to underserved markets. Such positioning could enable advisors and clients to achieve better outcomes regardless of market movements.

#### WHY INVESTORS LEAVE THEIR ADVISORS

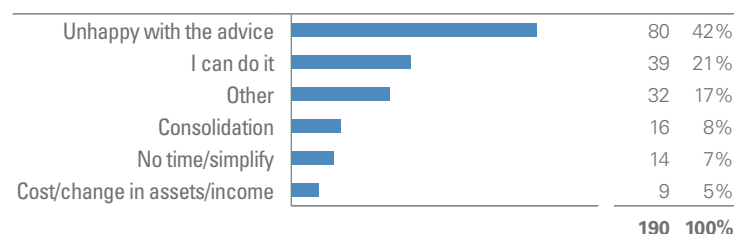
Like other researchers, we discovered investors who left their advisors over the past three years did so primarily out of dissatisfaction. In our joint survey, more than 40% of investor respondents who work with fewer advisors today than they did three years ago said it was because they were unhappy with the advice their advisors provided (Figure 3—respondents were able to choose more than one reason).

Second to displeasure with advice received, investors cited the ability to manage their own money as a reason for working with fewer advisors today than they did three years ago (Figure 3).

***“Second to displeasure with advice received, investors cited the ability to manage their own money as a reason for working with fewer advisors today..”***

**FIGURE 3: Why do you use fewer advisors today than you did three years ago?**

Investor respondents who use fewer advisors than three years ago. (From an analysis of written responses.)

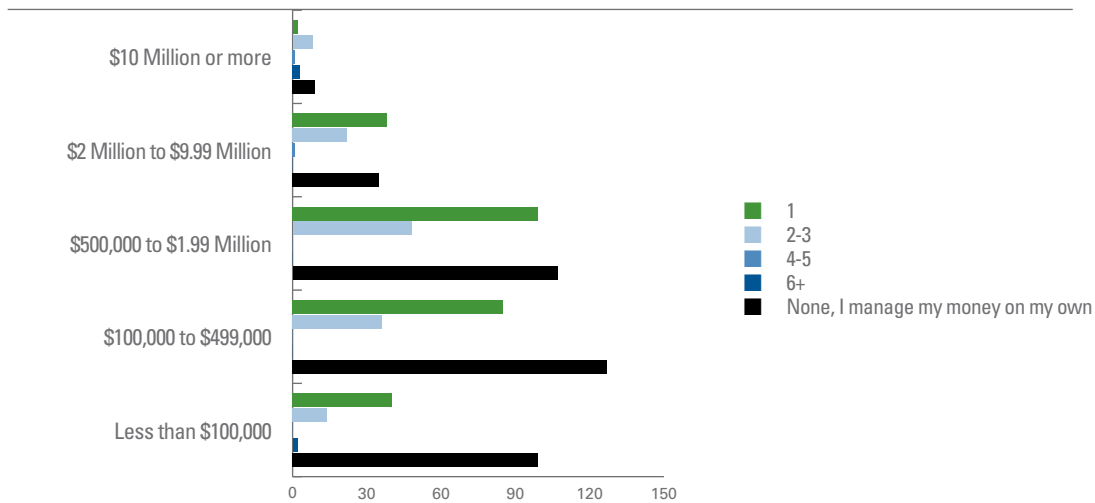


#### WHY INVESTORS MANAGE THEIR OWN MONEY

A high percentage of investors surveyed manage their own money, although the higher the investible assets, the less likely they were to do so. Still, of respondents with \$10 million or more, 39% were do-it-yourself investors (Figure 4).

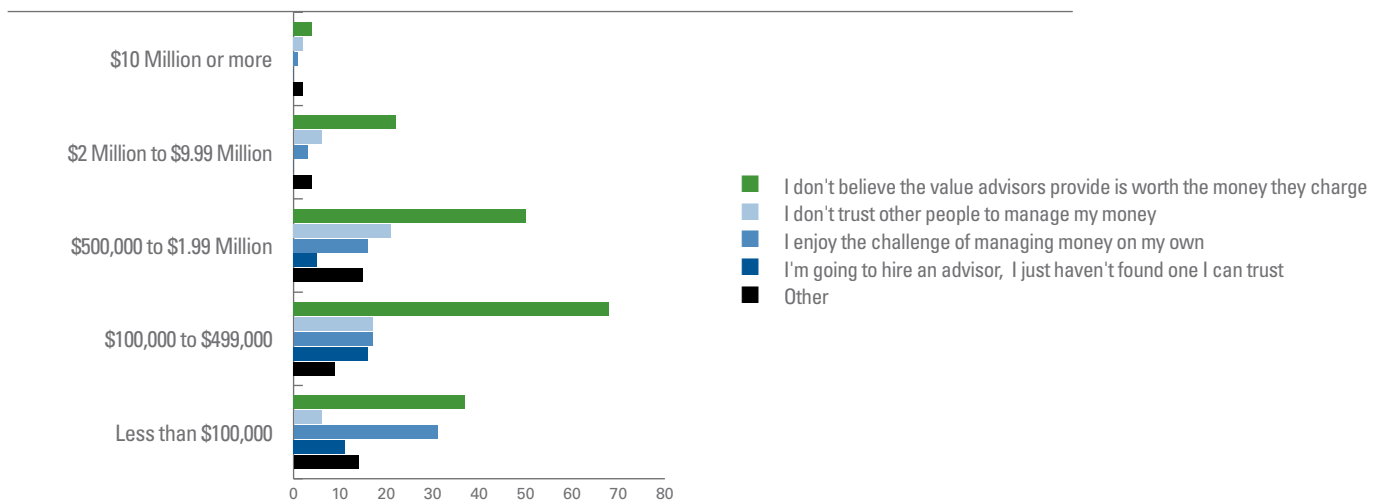
**FIGURE 4: How many financial advisors do you currently work with? (by asset)**

Investor respondents who use more than one advisor.



Regardless of the amount of investible assets, when asked why they did not use a financial advisor, over 50% said they do not believe the value advisors provide is worth the cost. Other reasons cited were the enjoyment they derive from managing their own money (18.6%) and a lack of trust in advisors (16.4%) (Figure 5).

**FIGURE 5: What is your primary reason for not using any financial advisors? (by asset)**



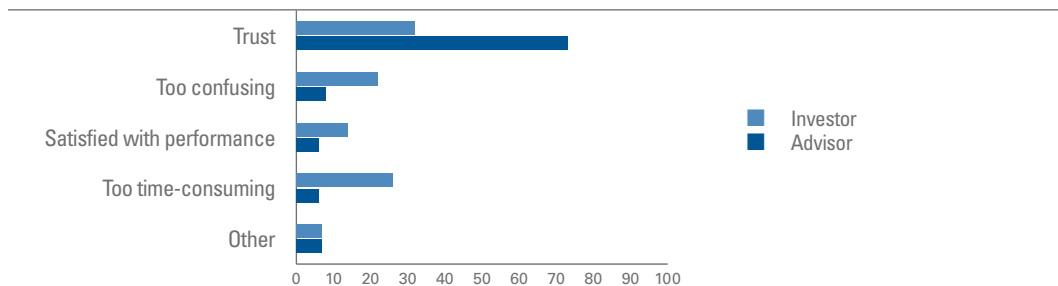
Patricia Williams, a Wharton marketing professor, believes the trend toward consolidation and do-it-yourself investing is symptomatic of the fear consumers typically feel during a recession or times of uncertainty. A lack of control underlies this fear, Williams says. She believes the decision to consolidate advisors or to manage one's own money may stem from the investor's need to reassert some control over a situation in which he or she feels anxious and out of control.

### WHY SOME INVESTORS USE ONLY ONE ADVISOR

When asked why clients work with only one advisor and not more, advisors placed more emphasis on trust (73%) than investors did (29%). Investors (45%) were more likely than advisors (14%) to point to the time involved and the potential confusion arising from working with multiple advisors as reasons they work with just one financial professional (Figure 6—respondents were able to choose more than one reason).

**FIGURE 6: What is your primary reason for working with one advisor and not more?**

Investor respondents who work with only one advisor.



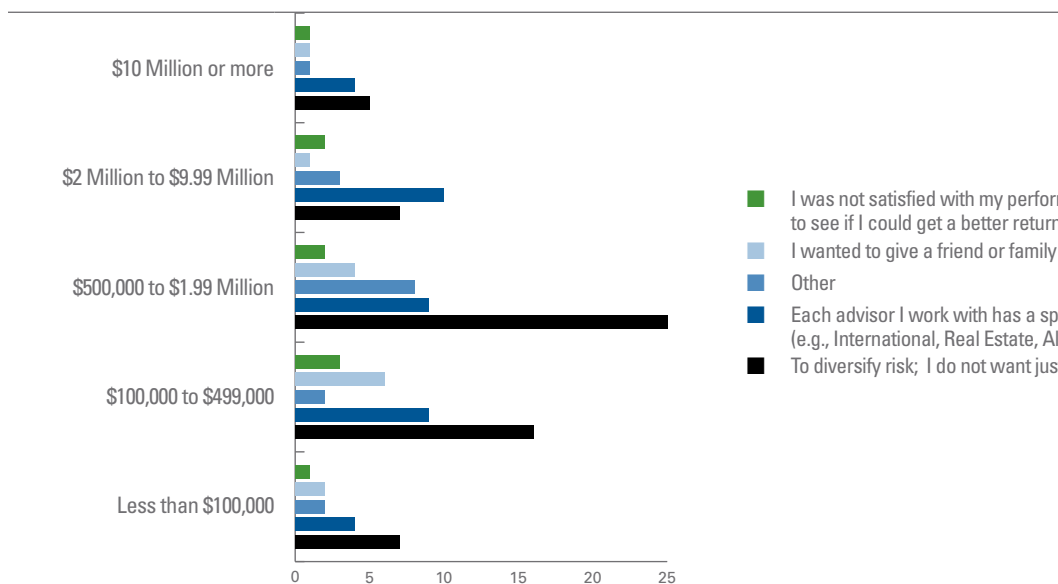
### WHY INVESTORS USE MULTIPLE ADVISORS

The number one reason investors say they use multiple advisors is to diversify risk (44%). Proportionately, as investible assets increase, respondents also say they use multiple advisors to access specific areas of expertise (Figure 7).

*“The number one reason investors say they use multiple advisors is to diversify risk (44%).”*

**FIGURE 7: What is your primary reason for using more than one advisor? (by asset)**

Investor respondents who use more than one advisor.



But does using multiple advisors guarantee diversification? According to Wharton experts, the answer is no. In fact, the effort to diversify risk by using more than one advisor may actually increase risk.



## INVESTORS MAY BE MULTIPLYING RISK, NOT REDUCING IT

The notion that people should place their eggs in multiple baskets has been repeated so often that many investors now apply the concept to purveyors of financial advice. If two asset classes are better than one, then two advisors must be better than one.

But Williams points out that investors are only truly diversified if all of their advisors (or the assets they may manage themselves) are invested differently. It's not clear, based on the State Street and Knowledge@Wharton survey findings, that investors are taking steps to make sure their multiple advisors are invested differently. When asked about the most important attribute of a primary advisor, the majority of investor respondents believed it was the ability to help guide a client's financial life, from investment management to spending, tax planning, education planning, estate planning and generational wealth planning (Figure 8).

But of investor respondents who use multiple advisors and also have a primary advisor, 55% said their primary advisors were unaware of the decisions and performance of the other advisors. Some reported that their primary advisors were not even aware that other advisors were also managing some assets (Figure 9).

So why the disconnect? Why do investors show a clear preference for what the role of a primary advisor should be, but then fail to give their primary advisors the minimum information needed (i.e., amount and location of assets) to perform that role effectively?

In some cases, investors are wary of entrusting all of their financial information to just one individual. Others just don't know that they should be providing or sharing this information among their multiple

advisors. Even if investors set out to play the coordinating role themselves, they may quickly find they lack the time or expertise to effectively aggregate and share this information.

The lack of transparency about the amount of assets and liabilities—and where those assets are located—puts investors at risk of missing their financial goals. It also places advisors' chances for success in jeopardy.

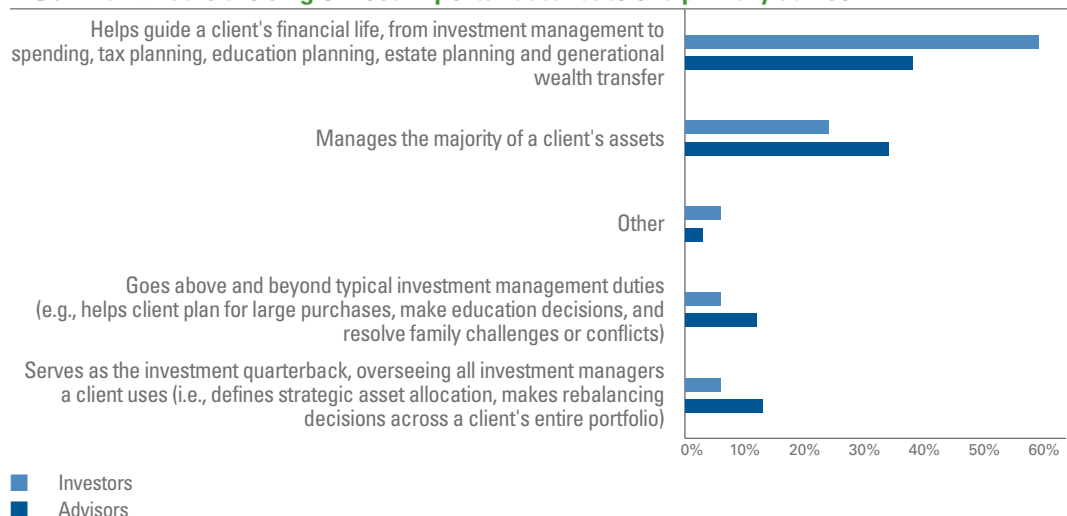
In other words, in their attempt to diversify risk by allocating assets among several advisors, investors could instead be multiplying risk. According to Eric T. Bradlow, also a Wharton marketing professor, "Too many cooks can spoil the broth." If advisors are unaware of how the other has invested a particular client's assets, the investor could end up taking on too much—or too little—risk in his or her portfolio.

For example, recommendations by one advisor could inadvertently be hedged by another advisor's investment choices, causing the risk profile of the client's overall portfolio to be more conservative than the investor's financial goals warrant. Alternatively, overlapping exposures could lead to concentrated risk in a single stock or asset class.

Even if an investor is initially well-diversified across multiple advisors, the performance of the investor's portfolio over time could result in style drift or being overweight in a particular sector or industry. If no one keeps watch over the broader portfolio, including the assets invested with other advisors, the need to rebalance could go unmet.

As many experts interviewed for this report noted, by far the biggest risk investors face in working with multiple advisors without a high level of transparency is that they will not meet their financial obligations or goals.

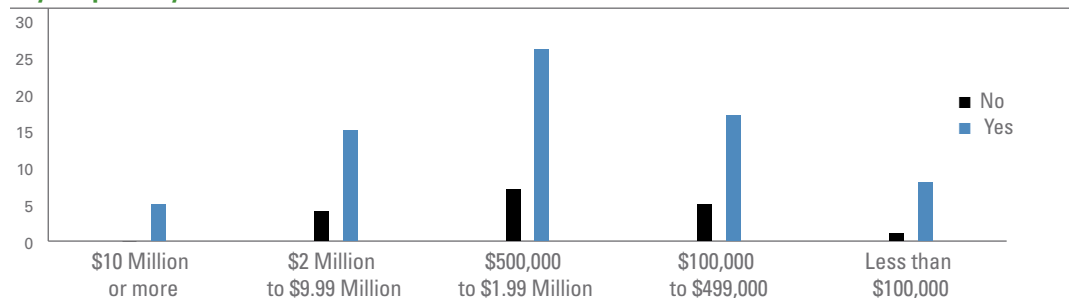
**FIGURE 8: What is the single most important attribute of a primary advisor?**



***"In fact, the effort to diversify risk by using more than one advisor may actually increase risk."***

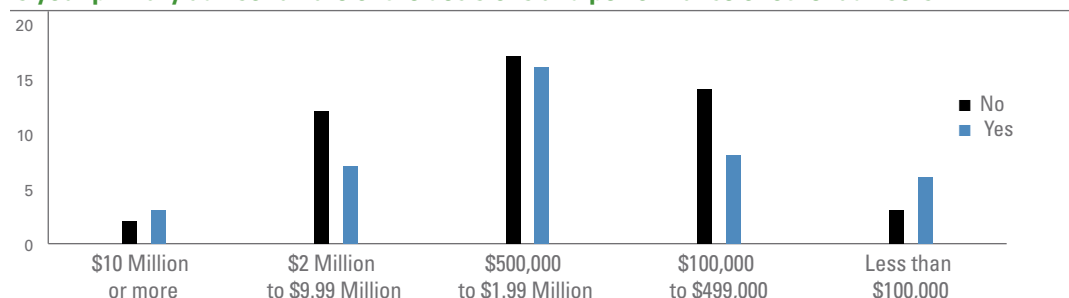
**FIGURE 9: Multiple Advisors, One is Primary**

**Is your primary advisor aware of the other advisors?**



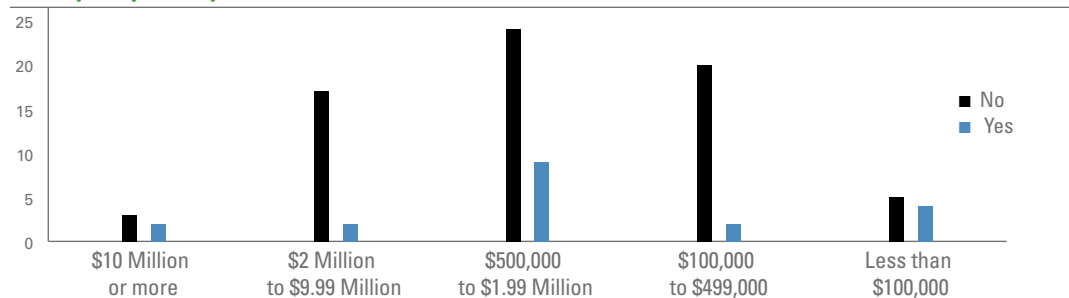
*“If no one keeps watch over the broader portfolio, including the assets invested with other advisors, the need to rebalance could go unmet.”*

**Is your primary advisor aware of the decisions and performance of other advisors?**



*“...by far the biggest risk investors face in working with multiple advisors without a high level of transparency is that they will not meet their financial obligations or goals.”*

**Does your primary advisor have influence over the decisions of the other advisors?**



**LACK OF TRANSPARENCY PRESENTS OPPORTUNITY FOR ADVISORS**

While investors desire more comprehensive and customized financial advice, they are simply not getting it. The chief three reasons for this shortfall in advice include: investors’ own wariness about entrusting too much information to a single advisor; a misinterpretation of what it means to be diversified; and advisors’ failure to communicate the importance of having a single, transparent view of the investor’s balance sheet.

Whatever the reason for the disconnect, it presents an opportunity for advisors who are both able to communicate the importance of having a single view of an investor’s total assets and willing to assume the primary advisor role.

But Williams and Bradlow believe the term ‘primary advisor’ may not be the right one. “What we’re really talking about is the lead advisor who integrates all of these decisions, even across other players,” says Williams. The more sophisticated firms who have experience playing this role often refer to this function as the financial quarterback.

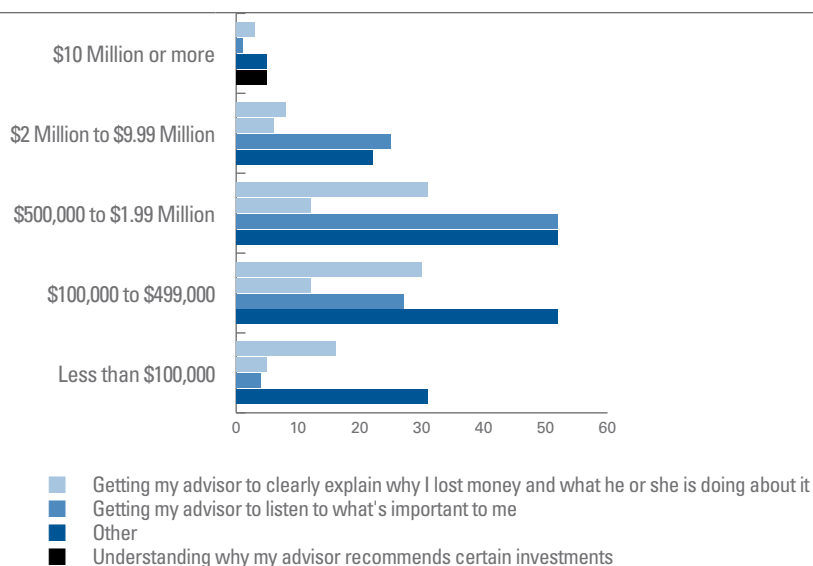
Ideally, the lead advisor aggregates all statements and account information, and has a firm grasp of the investor’s total balance sheet—assets and liabilities. The lead advisor often gathers and integrates information not only across other investment advisors, but also among the client’s CPAs, estate planning attorneys and even business advisors.

To the extent that advisors want to perform the role of lead advisor, Williams advises them to be careful about language. “I think the hurdle of getting past the [belief of] clients [that] they’re diversifying by having multiple advisors is a big one.” Put another way, to a client’s ear, Williams points out, it sounds odd to say that “because you have multiple advisors, you’re not diversified enough. Give me all your money and I can maximize your diversification.” But, if you are able to articulate the risks to investors of not having an aggregate view of their financial health, you can help them more easily understand the value a lead advisor brings.

## DEMAND FOR COMPREHENSIVE, PERSONALIZED FINANCIAL ADVICE

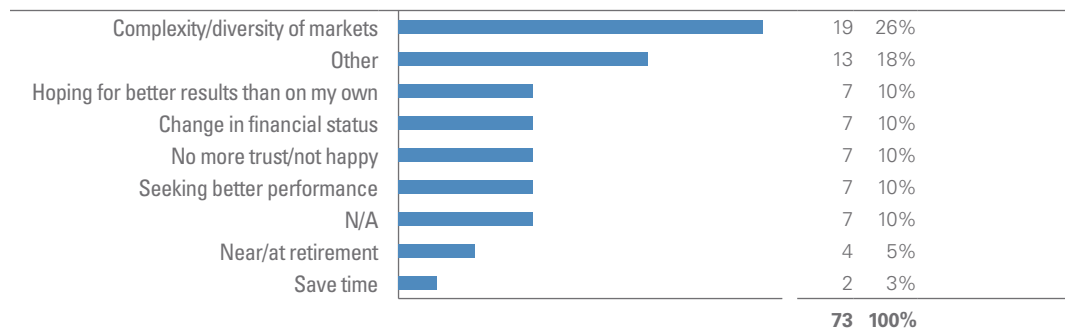
The economic crisis clearly has bred confusion and skepticism among investors. They continue to struggle with volatility. They don't know who to trust. And, as the State Street and Knowledge@Wharton survey responses revealed, many advisors are not communicating well enough with their clients (Figure 10).

**FIGURE 10: Primary challenge working with an advisor (all investors by assets)**



Furthermore, the investment marketplace has grown more complicated, not less. This complexity is, in part, what is driving the use of multiple advisors among some investors (Figure 11—respondents were able to choose more than one response).

**FIGURE 11: Why do you use more advisors today than you did three years ago?**



***“..if you are able to articulate the risks to investors of not having an aggregate view of their financial health, you can help them more easily understand the value a lead advisor brings.”***

Bradlow says it's likely the crisis has split people into two groups: those who believe advice is needed now more than ever; and those who are skeptical of its value.

“But the reality is someone needs to coordinate the big picture,” says Drew Bottaro, family office advisor, most recently with Wells Fargo Family Wealth. If it is not the advisor, then the investor needs to fulfill this role, and that's a weighty, intensive and technical task. Bottaro cautions investors to assess whether they have the time, resources and experience to oversee multiple advisors, or to monitor and manage all aspects of their financial life. “Are you really the right person to be doing this for yourself? Would you hire yourself? Better yet, would you refer yourself to a friend or relative?”

Experts at Wharton and State Street agree that nearly any investor today, regardless of asset size, could benefit from the services of a competent lead advisor—a single person (or firm) who can monitor the big picture and objectively counsel investors on how to build and maintain their financial health through all market cycles and major life events.

Wharton's Geczy says a central coordinating advisor can assess risks throughout the entire investment plan and then take or net out risk across all of an investor's various portfolios and investment managers, any businesses the investor is involved in, and across the entire view of the investor's financial affairs.

Finally, advisors shouldn't be afraid to alert their clients to the mistakes they may be making within the self-directed portions of their portfolios. A study conducted by Wharton Professor of Insurance and Risk Management Olivia Mitchell and several co-authors further illustrates the consequences resulting from investors not managing their portfolios actively enough. The study found that the average 401(k) account contains only 3.5 funds out of what is on average a set of 18 available funds—and 80% of the sample never traded at all over a two-year period. In fact, average turnover for a professional is about 117% while among the faster-trading 401(k) subscribers, it's more like 24%. While that is undoubtedly better than daytrading, such ultra-low

turnover may carry its own set of risks: "For the overwhelming majority of retirement savers, there is no evidence of portfolio rebalancing, shifts in risk tolerance with age, or tactical portfolio changes."<sup>2</sup>

A trusted advisor can also add value by framing investment choices around a manageable number of options, because the evidence indicates that individual investors have a difficult time when faced with too many choices. A study of the investment choices of 857,000 employees of 657 different companies found that participation declines as the number of funds offered by their 401(k) plans grew.<sup>3</sup>

Financial advisors who are able to position themselves as lead advisors could potentially reap benefits that outweigh the initial costs of performing the role. So, what does it take to be a successful lead advisor? We asked experts at State Street and Wharton as well as practitioners to weigh in.

## Research Methodology

A total of 2,972 individuals completed the State Street and Knowledge@Wharton online survey, which was offered in late 2009 through early 2010. Two tracks were presented to each group, which included: (1) 776 investors and (2) 2,196 financial advisors. Each survey branched to target questions based on a respondent's previous answers. Financial advisors comprised a wide range of investment and financial service professionals. Investors represented an equally wide range of portfolio sizes.

### ADVISOR RESPONDENTS

Of the advisors, 46% of respondents were financial advisors at national brokerage firms; 20% were financial advisors at independent or regional brokerage firms; 13% were independent RIAs registered with the SEC; and 7% were financial planners. The remaining advisor respondents were wealth managers at private banks or investments banks, family office or multi-family office advisors, or identified themselves as belonging to some other category of advisor.

Advisor respondents offered a range of services to clients. The majority of advisor respondents offered two or more services to clients. Among providers, 90% offered investment management; 81% offered financial planning (e.g., planning for retirement, insurance planning, income planning); 58% offered estate planning and wealth management services; and 37% offered tax planning. Nearly 33% of providers offered all four types of services.

The average client size of advisor respondents varied, though 82% of advisor respondents reported their average client possessed less than \$2 million in investible assets; 12% reported their average client had \$2 million to \$9.99 million in investible assets; and nearly 6% reported their average client had \$10 million or more.

Among the 2,196 providers, 48% charged a combination of fees and commissions; 44% were entirely fee-based; and only 8% were entirely commission- or transaction-based.

### INVESTOR RESPONDENTS

Of investor respondents, 49% managed their own money; 34% worked with one advisor; nearly 17% worked with two to three advisors; and less than 1% worked with four or more advisors. Although the relative proportion of investors who use one advisor versus more than one advisor decreases as investible assets increase, not until \$10 million or more is it more common to work with multiple advisors than with just one. Of investors who work with multiple advisors, 65% considered one advisor to be their primary advisor.

Investors reported having investible assets ranging from fewer than \$100,000 to more than \$10 million. Of investors, 3% had \$10 million or more; 12% had \$2 million to \$9.99 million; and 85% had less than \$2 million. The breakdown of these numbers is very similar to the breakdown of clients by investible assets as reported by advisor respondents.

Of investors who reported having a primary advisor, 52% said their advisor was entirely fee-based; 27% said their advisors were entirely commission-based or transaction-based; and 16% reported their primary advisors charged a combination of fees and commissions. This is much lower than the 48% of advisors who reported offering a hybrid fee structure.

<sup>2</sup> Mitchell, Olivia S., Mottola, Gary R., Utkus, Stephen P. and Yamaguchi, Takeshi, "The Inattentive Participant: Portfolio Trading Behavior in 401(k) Plans" (2006). Available at SSRN: <http://ssrn.com/abstract=881854>

<sup>3</sup> Sheena Sethi-Iyengar, et al., "How Much Choice is Too Much? Contributions to 401(k) Retirement Plans," *Pension Design and Structure: New Lessons from Behavioral Finance*, 83-95. Oxford: Oxford University Press. (2004)

## IV. Best Practices from Up Market

While lead advisors have been described as chief financial officers or chief investment officers for individuals and families, or quarterbacks for their clients' assets, Geczy thinks what people really need is a ringleader.

"Investors need someone to coordinate and analyze all of the information that describes the total balance sheet of an individual or family: life goals, risk aversion, tax position, philanthropic aims, liquidity needs, liquidity risks and even human capital exposures [like industry or single-stock exposure as a result of employment by or ownership in a business]." He points to the institutional investment consultant model as a blueprint of best practices for retail advisors.

Investment Consultants (ICs) act as lead advisors for institutions, such as private corporations, government entities, and public or private foundations and university endowments. ICs objectively look at all of a client's assets and liabilities, determine the appropriate asset allocation mix, and then assess and monitor the performance of investment managers within each asset class.

Maureen Fitzgerald, senior managing director and head of institutional sales and consultant relations at State Street Global Advisors, says ICs can provide the big picture for their clients and thus reduce risks in a client's investment plan.

Without that big picture overview, one of the traps institutions can fall into is over-diversification. In other words, they diversify so much that they're actually paying active fees for market exposure. For example, imagine one manager tilts a portfolio to underweight small caps while another overweights small caps, thereby creating a market neutral exposure. This risk is very real for individual investors who use multiple advisors. But ICs, like lead advisors, says Fitzgerald, can help guard against this type of risk and drive greater efficiencies across a client's entire portfolio.

ICs collect a flat fee for their services, usually a retainer and sometimes a project-based fee. The retainer fee generally covers the asset-liability assessment (usually conducted once every two to five years), manager searches, quarterly performance meetings, research, client conferences and any other value-added services provided.

ICs have experienced higher turnover through the crisis in terms of retaining business, largely because of frustration over negative performance. Investors continue to see the value in having an IC and believe that they can benefit from working with a consultant. However, consultants were still held accountable for poor performance and the result was increased turnover. ICs do recognize things did not go well in 2008 and the first half of 2009. Says Fitzgerald, "They've been humbled by the market environment."

Fitzgerald also notes that institutional clients generally perceive a greater need for support when the market is down. In some cases, they have had to eliminate in-house resources and turn to ICs to fill the gap. As clients rely more on them for alternatives and other esoteric investments, ICs have had to bring in dedicated research resources to better prepare for these new asset classes. "If we recommend an investment, we need to be well-versed in the field to support that recommendation. Competency has to be priority number one," suggests Fitzgerald. "You have to align the right resources with the competencies needed to serve clients well."

### PROVE, DIFFERENTIATE VALUE

All financial intermediaries face a similar challenge in this environment: proving that they can add value. ICs do this by differentiating their firms' brand and process. From a branding perspective, the bigger firms had a head start, says Fitzgerald. Many already had a strongly differentiated culture or niche focus in the marketplace.

The depth and breadth of the IC's research also is a differentiator. Clients want to understand a firm's philosophy and process. They want to make sure the firm's process is defined and not opaque, says Fitzgerald. "Do you have dedicated asset class researchers? What do you look for? What is your rationale for picking managers? Consultants largely use the same data. The difference is in how they process it, analyze it and make a final recommendation."

A final differentiator may be performance. Some ICs publish their performance or pay their people based on performance.

## **PRACTICE RELATIONAL SKILLS AND EDUCATE CLIENTS**

Relational skills also are important when it comes to understanding and managing the diverse dynamics of boards and individual board members. Larger consulting firms fared better in recent years because they were able to invest in improving communications with clients, according to experts at State Street. Providing clients with the proper level of attention and education is essential to ensuring client comfort with the recommendations being made. Not investing in communication can be a real risk, says Fitzgerald. “When it comes to getting the board to do the right thing at the right time, trust has to be there.” And trust in the relationship is built over time by communicating openly, clearly and often.

## **BEST PRACTICES FROM LEAD ADVISORS OF ULTRA HIGH NET WORTH INVESTORS**

The importance of trust to client-advisor relationships was echoed over and over again by the family office and the UHNW advisors interviewed for this special report, all of whom have built thriving businesses as lead advisors. While each expert interviewed possesses a unique perspective, common themes emerged regarding what it takes to build the trust needed to successfully be a lead advisor.

Peter Landry, vice president of investments and senior portfolio manager with UBS Financial Services, Inc. in Rockland, MA, says investors should be able to answer yes to one question: “If you were to go away tomorrow, do you trust your advisor enough to know that everything is going to be taken care of?” Landry believes lead advisors need to show the same concern and care for clients as they do for their own families.

## **ELIMINATE CONFLICTS OF INTEREST**

Says Greg Van Slyke, founder, co-owner and manager of Lake Street Advisors, LLC in Portsmouth, NH “In order to build trust, you have to eliminate as many conflicts as possible.” For many lead advisors to UHNW and HNW individuals and families, that means taking an open architecture (i.e., not beholden to any single firm’s products) and fee-based approach. At Van Slyke’s firm, eliminating conflicts means being wholly non-proprietary. The firm does not offer any in-house products.

## **OPEN ARCHITECTURE APPROACH**

Geczy doesn’t believe advisors need to be entirely non-proprietary, but he says an open architecture approach is crucial. The bottom line is advisors need to act in the best interest of their clients. Williams agrees that the ideal lead advisor should be genuinely client-focused, not product-focused. “Very often I think advisors are more product-focused than they think they are and more than they tell their clients they are. It’s not that they mean to be product-focused. It’s just a result of habit and comfort, and developing a level of understanding about how those products work over time.”

## **TRANSPARENCY IN FEES**

Of the more than 800 advisors interviewed for this special report, most derive at least 98% of their revenue from fees, not commissions. A majority are 100% fee-based. The reasoning: a fee-based approach helps to ensure their clients’ comfort with the recommendations being made. In other words, clients shouldn’t have to wonder whether ulterior profit motives are influencing investment choices.

“It is not surprising that the vast majority of respondents employ fee-based or fee-only compensation,” commented Anthony Rochte, senior managing director and head of sales, client service and strategy for the Intermediary Business Group at State Street Global Advisors. “There is a definite correlation with more sophisticated wealth management practices and we continue to see a strong embrace, or desire to transition toward, fee-based models across the full spectrum of our investment professional clients—whether they be working in a family office, independent advisory firm or broker-dealer team.”

Van Slyke’s clients pay negotiated fees quarterly and in advance. He notes that his firm does not try to replace his clients’ other advisors. Instead, it performs the role of coordinating advisor. “If you’re paying someone quarterly in advance, and you could terminate them and not disrupt everything else, you’re not going to keep paying us unless we’re delivering value. And we have a really high retention rate with our clients. Essentially, they’re speaking with their pocketbook that they’re getting value.”

## **ALIGN RESOURCES AND DEMONSTRATE COMPETENCY**

Attracting and retaining top talent, says Van Slyke, is critical to his firm's ability to deliver the high level of service UHNW and HNW clients expect. He believes a firm's infrastructure—from the assembled team to the technology—must be superior in order to meet the demands of investors at higher levels of wealth and to be able to evolve with those demands, including those of future generations as they inherit the wealth.

Given the wealth level of his clients, Van Slyke believes the primary advisor should be a firm, or have the institutional backing of a firm, as opposed to an individual. "Their wealth will likely outlive them. It will outlive me. And it will be later generations managing that wealth. UHNW investors want a firm or an institution with the people and resources to stay with their wealth for a long time."

## **SUPPORT RECOMMENDATIONS WITH DATA**

Of the advisors who responded to our survey, 49% cited getting clients to stick to a long-term asset allocation strategy as a major challenge. But Bottaro sees the challenge differently: "I think one of the big challenges is getting clients to engage and understand the role of their investment strategy, and the impact of the strategy on the client's objectives. How does it affect their life and their life's goals?"

For Bottaro, it's not about getting clients to stick to a plan, but getting them to understand the implications for the various choices of plans and the risks around those choices. He believes in educating clients about the importance of keeping their asset allocation from being too conservative in down times and too aggressive in up times. "Risk tolerance can change as circumstances change and can force you to become more conservative at the wrong time. The problem is market cycles tend to be longer than investors' emotional cycles. But the more disciplined investors have done the best through this crisis."

Ensuring a disciplined approach means supporting recommendations with data. "It's a losing battle if it's just opinion versus opinion," says Van Slyke. Bottaro agrees that advisors have to do a lot of technical framing for their clients. "The second someone says, 'I've lost money over the last 10 years,' it means being able to respond by saying, 'Well, that's because you gave a lot to charity. Your portfolio is actually up.' Then, show them the data."

## **LISTEN, EMPATHIZE AND EDUCATE**

While technical competence is a baseline requirement, technical explanations do not work well in extreme circumstances. "They don't even work very well in normal market situations," says Bottaro. "Giving investors the raw data to counteract absurd qualitative conclusions is helpful, but only works after you understand what they're concerned about emotionally—and after they trust you."

And in order to understand what clients are concerned about emotionally, advisors must listen well. Advisors need to have the ability to listen to their client's goals and fears, and understand how they relate to the client's situation, says Bottaro. To build trust and produce better outcomes, advisors have to respond empathetically and then educate clients.

Bradlow also emphasizes that non I.Q.-level characteristics can be a real differentiator. "There are lots of smart financial advisors, but some advisors are more human-like than others," he says. Some excel at communicating with, listening to and understanding their clients.

***"The problem is market cycles tend to be longer than investors' emotional cycles. But the more disciplined investors have done the best through this crisis."***

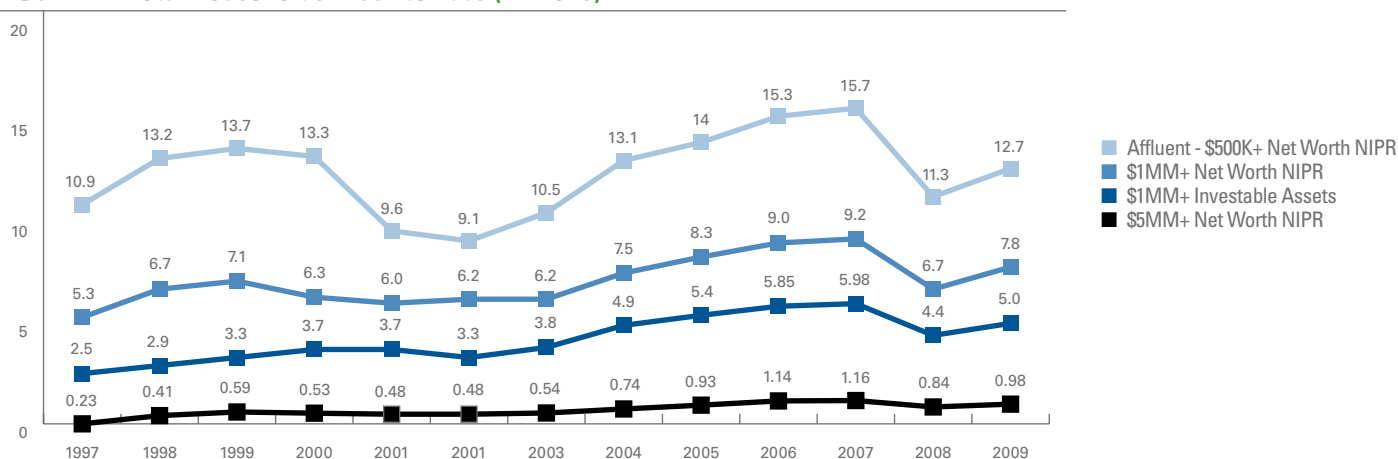


## V. Scaling the Lead Advisor Model to Underserved Markets

UHNW and HNW investors are undoubtedly attractive prospects for most advisors. But advisors who focus exclusively on these groups might miss the bigger picture, given the vastly smaller size of the UHNW and HNW markets relative to the affluent market.

According to the Spectrem Group's 2010 *Affluent Market Insights* report, affluent households, defined as those with a net worth of \$500K to \$1M (excluding primary residence), total 12.7 million. Compare that to households, defined as those with a net worth greater than \$5M (excluding primary residence): they number fewer than 1 million (Figure 12).

**FIGURE 12: Total Households - 1997 to 2009 (Millions)**



At the higher levels of wealth, there are simply more advisors competing for fewer clients. Furthermore, the needs of the UHNW and HNW can be time-consuming and complex. Servicing these investors not only requires a high degree of technical competence, but also a robust investment in infrastructure support, which for many advisors is prohibitively costly.

Being a lead advisor to clients is hard work, say the experts interviewed for this report. It requires significant time and resources to continually assess a client's true risk tolerance over time, and to identify the personal, business or family issues that may be affecting their financial decision-making. Notes Doug Ederle, managing director and director of client services with SCS Financial Services, LLC in Boston, MA, "There is no check-the-box survey you can give to clients."

The investment approach alone doesn't get you to the role of the lead advisor, says Bottaro. "When we do our quarterly reporting, we present a net worth page first. It's got investment, real property, planes and boats, spending cash accounts, liabilities—and may even include charitable entities that they don't even own anymore but still control. We look at the whole balance sheet."

Gathering and analyzing all of that information, and aggregating the big picture for individuals and families, requires time and expertise. Lead advisors must have ongoing, in-depth conversations with clients. You have to listen well, communicate often, plan and monitor performance, and even coordinate that planning with other client advisors. Given the demands, can a lead advisor model be constructed to work downstream?



## SCALING DOWN MARKET

Advisors to UHNW investors can afford to deliver highly customized and comprehensive services to a relatively small number of clients because the fees they typically earn support ongoing, high-touch service. But applying the lead advisor model to the mass affluent market requires rethinking. At lower levels of wealth, advisors simply cannot afford to offer comprehensive, customized service to a very large number of clients.

While most experts interviewed believe some variation of the lead advisor model could work, all agreed scale is the biggest challenge. “Even though people tend to be more binary, advice lies on a spectrum,” says Geczy. The single-family office is at one end of the spectrum, followed by multi-family offices and advisors to HNW investors. He believes there is a strong need for holistic advice among affluent investors and that advisors who can perform a coordinating or lead role in any capacity will be well-positioned to capture assets. “I think a little bit will go a long way, because there is a hole a mile wide in the industry in this [affluent] space.” The challenge is scale: “Investors’ needs scale at a lower rate than assets scale.”

In other words, the affluent have many of the same issues that the UHNW set does, and advisors still need to attend to those issues. While technology can help, it can only do so much. For example, investors of any amount of wealth could have human capital exposure by way of their businesses or employers. “It’s really hard to go to a website and get the kind of analysis you might need to assess that,” says Geczy. That’s still a risk you, as the advisor, will need to calculate. And that takes time.

If the amount of the average client’s assets is not high enough, an advisor would have to identify the number of clients the advisor needs in order to be compensated well enough for his or her expertise and generate the revenue needed to support a lead advisory model. But, “it is very difficult to offer customized service to a very large number of clients,” says Geczy. “It’s not impossible—but it’s difficult.”

“You could replicate portions of the model, but even that can be challenging,” says Ederle. Having a fiduciary mindset is definitely transferable to the mass affluent market. Bottaro agrees and says the total balance sheet approach would still apply to emerging affluent investors, even though the type and amount of assets and liabilities may differ. For example, at lower levels of wealth, the liabilities that can come into play may be things like mortgages and automobiles.

Landry suggests that making the model work has more to do with appropriately setting service expectations at the outset. He points out that many of his group’s clients like to be contacted about 12 times a year. If you need to manage more clients who have fewer assets to make the numbers work, he suggests defining very clearly up front what those clients are going to get. For example, it could mean adopting a fiduciary mindset and spending a lot of time up front to gain the full picture of your client’s financial health, but then meeting only twice a year or calling only once a quarter.

He makes an analogy to dining out. “When you go to a fine restaurant, you can expect to get better service and higher quality food, but you can also expect to pay for it. A chain restaurant, on the other hand, is likely to be less expensive, but can still be very satisfying.”

***“I think a little bit will go a long way, because there is a hole a mile wide in the industry in this [affluent] space.”***

## VI. Building Your Business as a Lead Advisor to the Emerging Affluent

Aspiration-wise, being a lead advisor to the mass affluent is a “brilliant opportunity,” says Geczy. But advisors will have to weigh their skill set, market position and infrastructure to determine where along the spectrum they fit. Determining the proper infrastructure level is extremely complex—so much so that “Wharton offers courses to help answer questions such as: What’s the right market segment? What’s the right mix of products and services? What’s the value add? And, finally, how do you get there?”

### ASSESS PERSONAL FIT AND PROFESSIONAL READINESS

It may be that advisors will have to build their business incrementally over time, says Williams. She suggests looking at existing clients first. Assess their needs and what it would mean to be the integrator of diversified strategies or financial needs.

“What skills, capabilities, resources, and partners do you really need to do that? Start putting those things into place with the money you currently have, so that you can demonstrate that you’re doing it already or that you’re better positioned to do it than any other advisors your client may be working with. Think about how you can demonstrate it rather than say it.” Understand the approach needed and build aspects of it into your business now, where it makes sense.

For advisors contemplating building out their business as a lead advisor, start with a self-assessment, say experts at Wharton. Do you have the passion and desire to be a lead advisor? Do you have the technical skills necessary to perform the role, or the empathetic skills needed to manage that kind of relationship with clients? Bradlow cautions that it is hard to be an introverted lead advisor. “You have to like people and like being around people.”

Landry agrees the lead advisor role is not for the faint of heart and, frankly, not for everyone. Advisors have to be motivationally invested, he says. “You care an awful lot and you take your business personally. You know you should separate it, but it’s hard to do.” You have to have real passion for the work and for helping the clients you serve.

### ASSESS FIRM’S READINESS

While Geczy believes lead advisory services lie on a spectrum, he is clear about what being a lead advisor to the mass affluent is not: “It can’t be a model portfolio pulled off a shelf that’s going to fit a hundred people based on one dimension called risk aversion. That’s MPT (Modern Portfolio Theory) circa 1955. It’s just not that simple.”

Risks like illiquidity and transparency, says Bottaro, just aren’t well captured by typical mean variance Modern Portfolio Theory. Netting out risk requires a significant commitment of time and resources. Geczy says advisors must assess whether they have the human capital and technology to service their chosen market segment. “Think of yourself as a small, mass affluent multi-family office. The question is, ‘Where do you stop?’ It’s all about tradeoffs.”

He recommends exploring three primary questions relating to your go-to-market approach:

- What market segment or niche do you intend to target?
- What products and services do you plan to provide to meet the needs of this niche?
- What will it take or what is the cost of providing those products and services?

Once an advisor knows what products and services they want to deliver to their chosen target market, and what it will cost to do so, the next choice is either to invest in building the needed resources in-house or to develop strong partnerships with external providers to supplement services.

***“It can’t be a model portfolio pulled off a shelf that’s going to fit a hundred people based on one dimension called risk aversion. That’s MPT (Modern Portfolio Theory) circa 1955. It’s just not that simple.”***

### THREE MODELS FOR DELIVERING COMPREHENSIVE FINANCIAL ADVICE

There are many ways to scale the lead-advisor model to the emerging and mass affluent markets, but all require taking advantage of process or technology or both.

#### Full Service Model

Patrick Hitchcock, Managing Director and Private Investment Management (PIM) portfolio manager at Hitchcock/Rosenfield Investment Group, one of the largest wealth management teams within the Private Client Group at Wells Fargo Advisors, says his team developed a process-driven, technology-supported model that works well for them.

He and his business partner, Managing Director Ian Rosenfield, have four financial consultants (FCs) who are former financial advisors and now act as investment planners for clients of Hitchcock-Rosenfield. Each has a small book of business. They gather all the information about the client and the client's financial situation, and focus on investment planning. The FCs build and maintain the relationships with clients, offering continual communication.

Hitchcock and Rosenfield essentially run the shop, or manage the platform. They do the investment planning and the portfolio management using Wells Fargo Advisors' proprietary platform. And the FCs get paid a portion of the fees on the assets under management.

Hitchcock says that while the platform or the technology is important to business growth, the human element is much more so. In his experience, taking the burden of investment planning and portfolio management away from the FCs frees them up to spend more time with clients. They can provide higher-touch service and build and maintain more satisfying relationships with investors.

#### Hybrid Approaches

Geczy suggests a process-driven model that replicates how exchange-traded funds are managed. Here, lead advisors would spend their time on asset allocation, rebalancing and satisfying clients' liquidity needs—while other professionals would focus on things like risk budgeting (or pursuing excess return), financial planning and tax optimization.

A second option would be to outsource the asset allocation and focus exclusively on relationship management. That would involve understanding clients' fears and goals, navigating family dynamics, and providing education and resources on a broad array of financial and investment topics. Performing asset allocation from the ground up is a very challenging and technical task, says Geczy. He points out that a number of firms have emerged in the last five years that support advisors by providing asset allocation services—and not just for independent advisors but national brokerage firms too.

Geczy also believes it can make sense to outsource certain activities to an external provider and perhaps split off fees to those providers in exchange for the services provided. He sees an increasing number of independent advisors who are not part of a big firm, but are using the services of a Fidelity or Schwab for more than just custody.

#### Financial Advisor Plus Service

Third, advisors who want to differentiate themselves in the market without investing a lot of capital up front can take advantage of the free resources asset managers and those who service financial advisors have to offer.

Geczy suggests that big firms with intermediary distribution channels can provide market insights, training opportunities and educational resources to help advisors deliver a more well-rounded experience and higher levels of service to clients. (Check out SPDR University, the online educational resource designed exclusively for investment professionals at [www.spdru.com](http://www.spdru.com)).

All of the experts interviewed for this special report acknowledge that providing the same depth and breadth of services to mass affluent investors as an advisor would to HNW and UHNW investors is simply impossible. Advisors to the mass affluent cannot operate like the family offices of the world. The costs are just too great. But, regardless of the size of the investors an advisor serves, the means already exist to differentiate in the marketplace by providing a sorely needed service: showing clients the big picture.

Experts from State Street and Wharton recommend putting clients' financial health into perspective for them by aggregating all of their information into a single view. Advisors should also do the following for clients:

- Educate clients about the importance of transparency across their entire portfolio. Talk to them about the long-term value of having someone watching out for potential imbalances and performance problems.
- Make it clear that in order to do an effective job and to realistically assess risk, advisors need to know the amount and location of all of the investor's assets.
- Help clients understand that providing this information can be as simple as sending all of their statements, which can then be aggregated yearly and reviewed during an annual meeting.

Over time, as an advisor calls attention to potential risks or points out opportunities to get closer to goals, clients will come to appreciate the importance of having a single view of their financial health and will begin to trust the value a lead advisor brings to the relationship.

## VII. Marketing for Lead Advisors

In their book, “Marketing for Financial Advisors,” Bradlow and Williams talk about how critical it is for advisors to define a target market segment and then to create a unique value proposition that appeals to that segment. Williams says family offices, and firms that serve the UHNW market, benefit from a tight network of clients who communicate within families and across common social organizations. This network helps firms generate referrals and retain business over time, but the mass affluent market is much more diffuse.

Mass affluent investors also typically expect things to move more quickly than the institutional world or certain segments of the UHNW marketplace. “Individual consumers are impatient about everything,” says Williams. She believes today’s consumer looks at financial advice through the same lens as other products and services they buy. “They’re going to expect you to make their lives easier and more convenient in the same way that Hertz #1 Club Gold does because that’s what the expectation for good service is.”

The challenges inherent in meeting needs of the emerging and mass affluent markets make defining a sticky niche all the more important.

### DEFINE THE TARGET MARKET

“What our book really tries to emphasize to advisors is that not all clients are the same,” says Williams. Different clients want different things. Williams says their survey data reveals that if advisors segment clients, it’s usually by investible assets. While this can be meaningful, it does not allow for deeper levels of customization that get to the origins of wealth and the long-term objectives of the client. That is problematic, because not all investors in the same wealth bracket will want the same things.

Building a business serving the mass affluent requires a much more focused understanding about which of those clients one can serve well, and an understanding that different market segments will have different needs. A client who has a more complicated set of financial objectives might want an advisor who offers a broad set of expertise and access to other advisors who work together under one roof, with one common vision. Another may be very focused on a philanthropic goal and want to maximize wealth to support her philanthropy.

Williams says to go small with your niche. “While you may worry you’re leaving money on the table, what you’re really doing is maximizing the money you can get from clients you can serve very well.”

In that vein, Williams encourages advisors to consider the advice they give their own clients: Invest for the long run. That could mean giving up short-term gains. “Sometimes you have to sacrifice profit today in order to get profit tomorrow.” She says a lot of companies that invest in customer relationships, or in providing higher levels of customer service, see only dollar signs. They’re focused on

generating immediate revenue and profit from any investment. But when you have a relational business, advisors cannot take on a transactional mindset.

Instead, Williams urges advisors to look at their investment of time and money in improving relationships with customers as a trust-building endeavor—and an exchange. “Each side has to be vulnerable,” she says. “As each—the advisor and the client—gives a little over time, the relationship deepens and offers more opportunity for both sides to profit.”

### CREATE A UNIQUE VALUE PROPOSITION

How do advisors who want to build a business as a lead advisor to the emerging affluent determine which niche is right for them? Talk with existing clients, the experts say. Find out what they think makes the advisor unique and what they are looking for in an advisor. Put together a small focus group of clients with valued opinions, even if their opinions are sometimes negative.

“Ask them,” says Williams, “Am I your primary advisor? What makes me your primary advisor? What am I doing right? What could I do better? What is it you’re missing?” You don’t have to conduct an in-depth, statistically significant survey,” she says. “You just have to start collecting the data.”

In their book, Williams, Bradlow, and co-author Keith Niedermeier, director of Wharton’s undergraduate marketing program, write about how advisors generally say the same things when asked what makes them different or better than the competition. “Almost every advisor says the same five things,” says Williams. “We have a great team, a great reputation, etc. If everyone is telling clients the same thing, I’m not sure clients will see where the real value is.” Instead, you have to speak to the unique needs of a single segment of clients.

Geczy suggests that market niche equates to “value-added.” One way to add value could be an ability to create risk proxies for non-financial assets. Geczy offers the example of an advisor who was keenly interested in art, knew a lot about it and built a thriving practice specializing in art as an investment for HNW investors. “She knew the market, understood how to model it as a financial asset and could comment on bid-ask spreads.”

To scale downstream and serve emerging affluent investors who have a keen interest in art, Geczy says you don't necessarily have to invest in art school or license expensive software so you can create proxies for art. "But you could spend \$200 and get an art index."

## **COMMUNICATE VALUE**

To the extent lead advisors genuinely understand their clients, they can offer a different level of service than a multitude of advisors can, where there is no common theme, says Williams. Ultimately, deeper relationships really should offer better value to both advisors and investors.

Business owners get this concept in the context of their businesses, says Geczy. They are used to getting data from accountants. They understand the rationale for hiring financial officers and strategists to help them. They know they need people to collect the data, coordinate it and then give their opinion.

What is strange, says Geczy, is that some of those same business owners in post-liquidation won't spend 1% of their investible assets for that same level of advice. "What's the proportion allocated to wages in their businesses? A lot more than 1%. There's no reason individual investors shouldn't be thinking exactly the same way." Investors at all asset levels should not have to work too hard to understand the value in someone they trust and who is aligned to their goals and aspirations—coordinating everything for them. Communicating an intimate understanding of client needs and a clear path forward can help break down the barriers.

## VIII. Play the Leading Role, Reap the Benefits

The early movers are going to have more difficulty adapting the lead advisor model to a mass affluent market, says Geczy. But they will likely win the lion's share of business due to first-mover's advantage—they will have a service that benefits from attractive fees, a retention-driven, scalable business that allows them to take on additional clients, and in comparison to the family office/UHNW model, a much larger prospecting universe to target.

Experts at Wharton and State Street—and practicing lead advisors themselves—agree that playing the lead advisor role offers tremendous potential benefits to those willing to make the initial investment in building the business. Among those benefits are the following:

**Reduce risk and improve performance:** Greater transparency in the client-advisor relationship and a renewed focus on liabilities, should help net out the risks investors face without a lead advisor such as the potential for overlapping exposures, style drift, illiquidity, and taking on too much or too little risk in their portfolios.

**Earn higher fees commensurate with your value:** The question is, can you charge more for providing the services of a lead advisor? The answer, says Bradlow, is “yes.” He adds that “anytime you’re providing greater value, you have a greater ability to charge for it. Lucy Van Pelt’s [of Charlie Brown fame] five cent fee violates every principle of a service orientation. The reality is people have no problem paying for services they believe enhance or better their lives.”

As the lead advisor, you may be able to earn higher fees on the total assets under management as opposed to the fees on a portion of assets allocated to multiple advisors. More importantly, you gain the ability to earn fees commensurate with the value of the holistic service you’re providing.

**Gain satisfaction from stewarding a client’s financial health:** One of the real benefits from Ederle’s perspective is the ability to provide the big picture for clients. In doing so, he says, advisors can help clients take the steps needed at any point to preserve wealth through the ups and downs of the market and the ups and downs of life.

“We get to see clients’ lives as a moving picture,” says Ederle, “not as a series of snapshots. If no one is playing the role of lead advisor, then no one is really seeing the movie. They’re just seeing disconnected frames. And, everything may look fine, until it’s too late.”

**Protect against declining market share in a post-crisis world:** Finally, positioning oneself as a lead advisor to affluent investors in this post-crisis economy makes a lot of sense, Wharton experts say. Investors, especially at lower levels of wealth, were hurt badly by the global crisis. As a result, more clients are seeking independent-minded providers who take a holistic view of the client-advisor relationship.

Notwithstanding the type of firm for which an advisor works, Michael Stevens, managing director and director of national sales for the Intermediary Business Group at State Street Global Advisors, adds “based on our experience in the field, financial advisors who serve as the lead advisor are successful at gathering assets because they provide a comprehensive service to their clients. With a deep, diversified team of wealth management professionals, these advisors are able to address a wide range of client needs and in the end, provide a far-superior client service experience.”

*“We get to see clients’ lives as a moving picture,” says Ederle, “not as a series of snapshots. If no one is playing the role of lead advisor, then no one is really seeing the movie. They’re just seeing disconnected frames. And, everything may look fine, until it’s too late.”*

The 2010 *World Wealth Report* indicates financial services firms have already begun to recognize that the ability to deliver high-touch, transparent advice in a scalable way will be the number one differentiator in a post-crisis world. The reality is, if an advisor cannot provide this service, this very large group of investors will find providers who can.

Advisors who can offer investors improved transparency, provide an aggregate view of their assets and liabilities, and help them honestly assess their goals and the real risks to their financial health will have an easier time retaining existing clients, winning new business and building a more profitable practice in the long run.

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# Taking on the Role of Lead Advisor: A Model for Driving Assets, Growth and Retention

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