

Sourcing the Ultra-Affluent from Centers-of-Influence

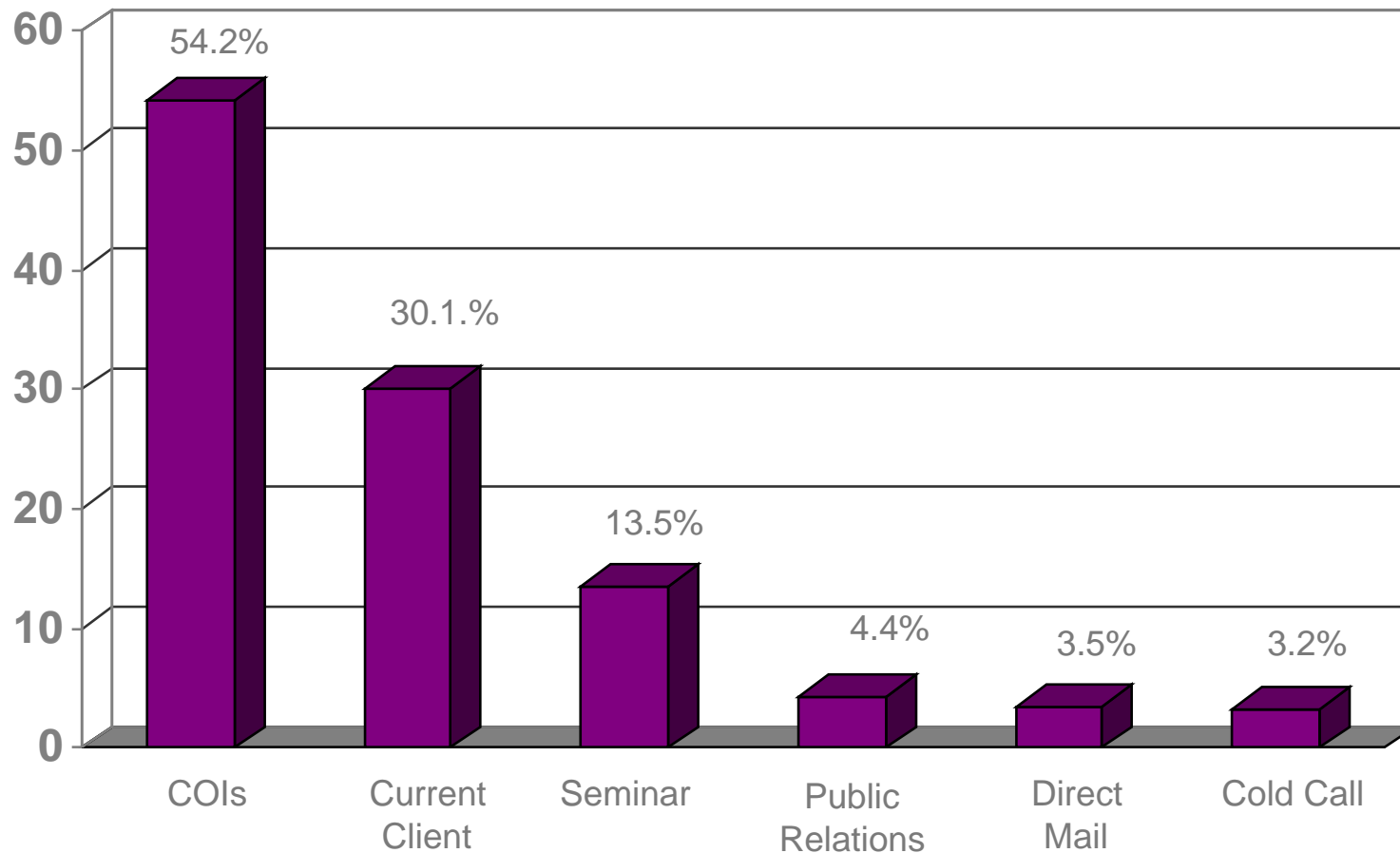
Hannah Shaw Grove
Executive Editor, Private Wealth

Creating a Multi-Family Office Practice
Pre-Conference Workshop
26 June 2010



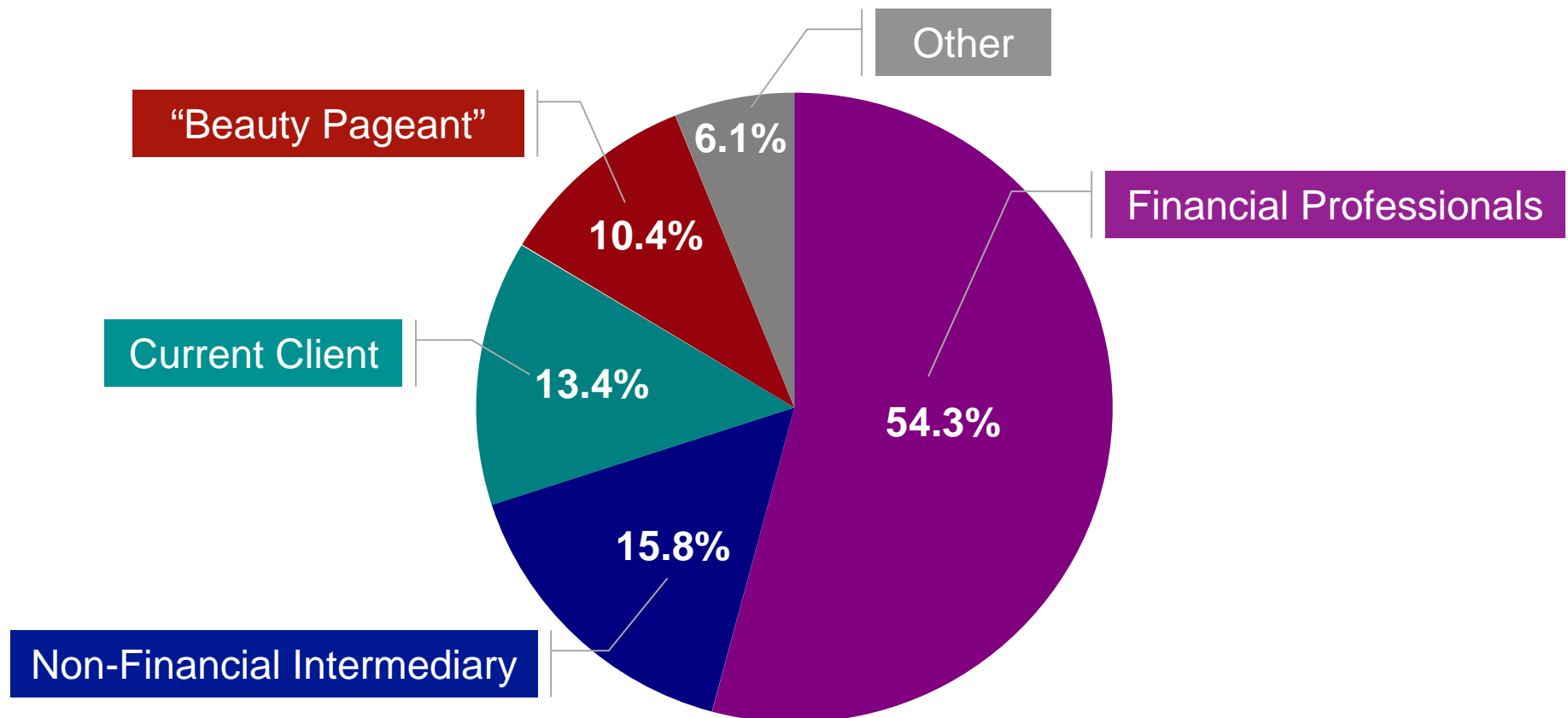
The Affluent Client Perspective

How the \$1M-\$10M net worth segment source advisors



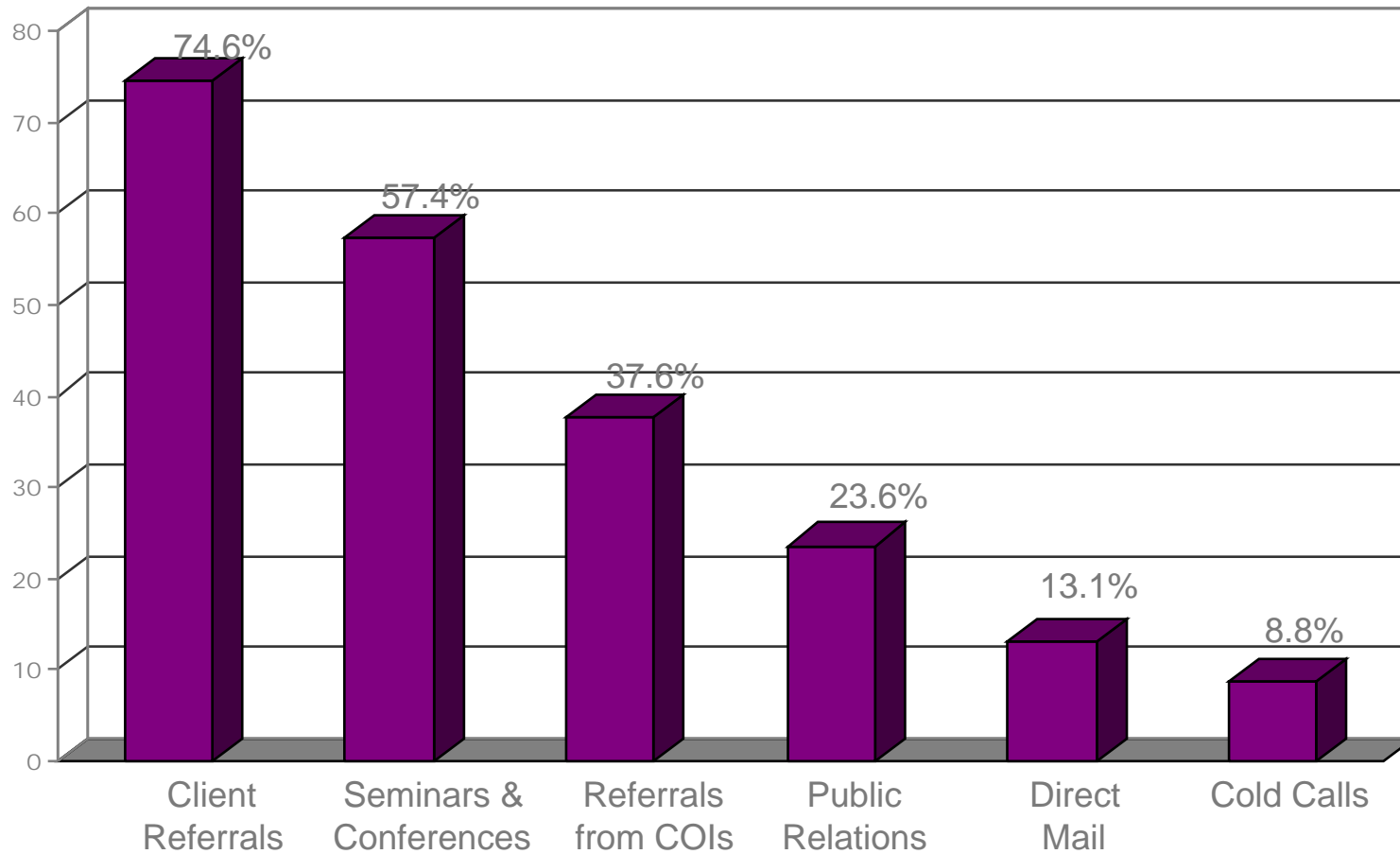
The Ultra-Affluent Client Perspective

How the \$20M+ net worth segment found their advisors



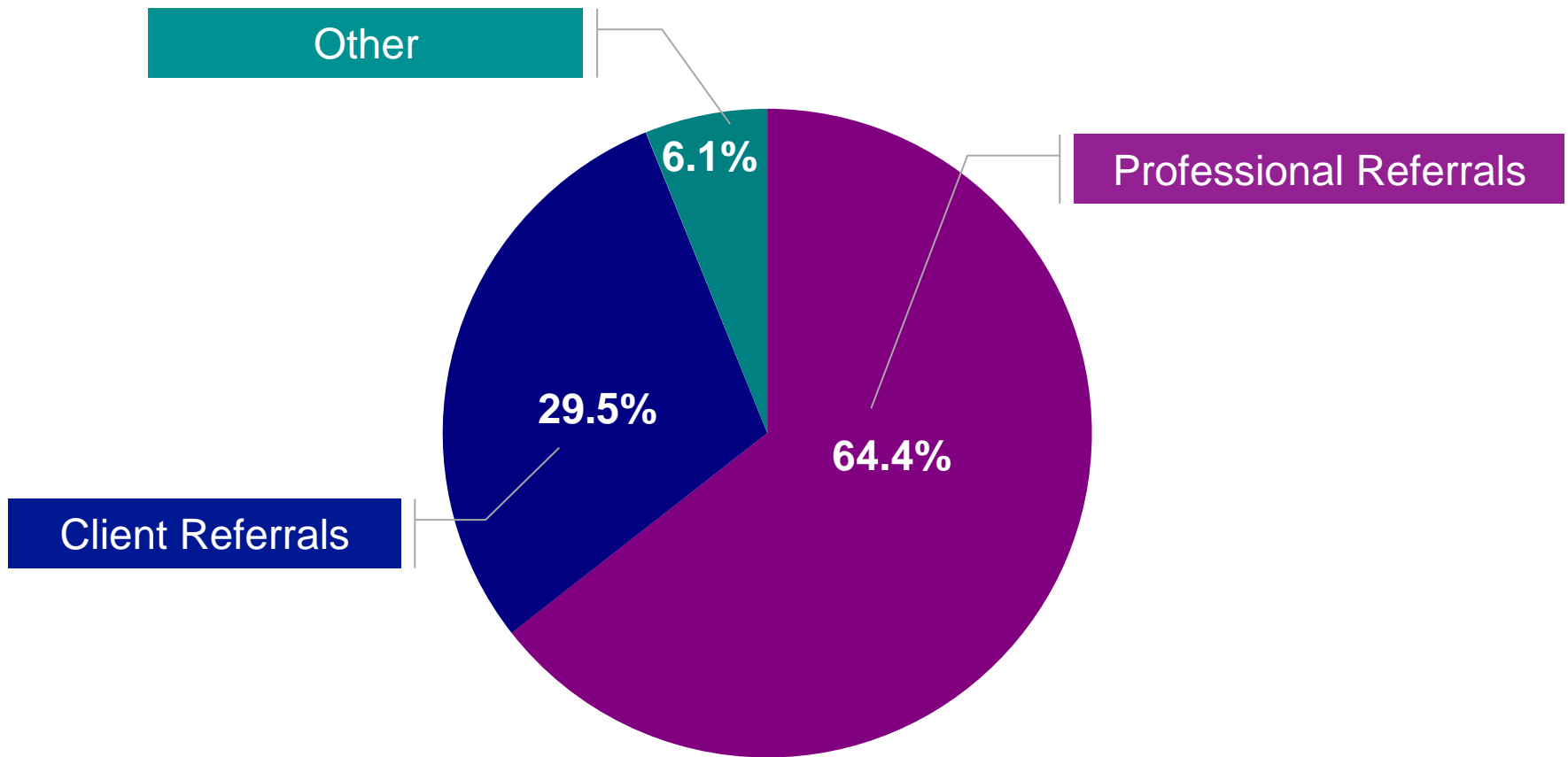
The Advisor Perspective

Perceived value of prospecting strategies



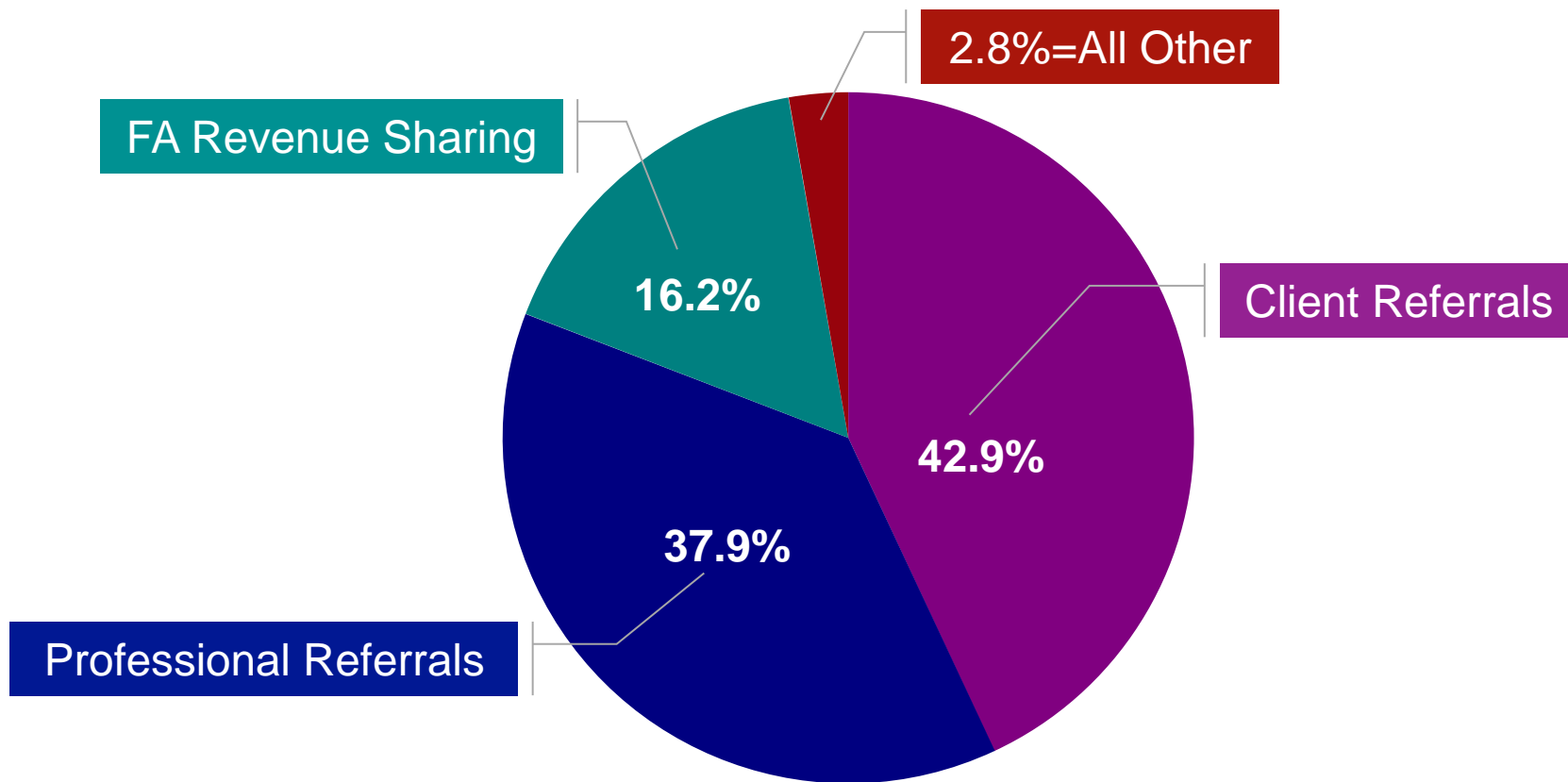
The 2005 Advisor Perspective

Sources of best new affluent clients



The 2009 Advisor Perspective

Sources of best wealthy clients in past 12 months



Harnessing the Power

Getting the most from your peer professionals

The wealthiest clients turn to professionals with whom they have established, trusted financial relationships for guidance when seeking a financial advisor.

- Advisors consistently receive their best wealthy clients from professionals that provide a complementary service to their own.
- The average net worth of clients referred to advisors by centers-of-influence is significantly greater than those referred by other sources.
- High-end practitioners are more likely to get new business from professionals than clients.

Wealthier Clients Turn to Trusted Professionals

New business sources by client net worth

Source	\$1M+	\$500k-\$1M	\$250k-\$500k	<\$250k
Client Referrals	5.8%	22.6%	39.7%	50.8%
Professional Referrals	76.9	65.1	41.3	28.0
FA Revenue Sharing	17.3	12.0	9.9	21.2
Other	0.0	0.2	3.1	3.8

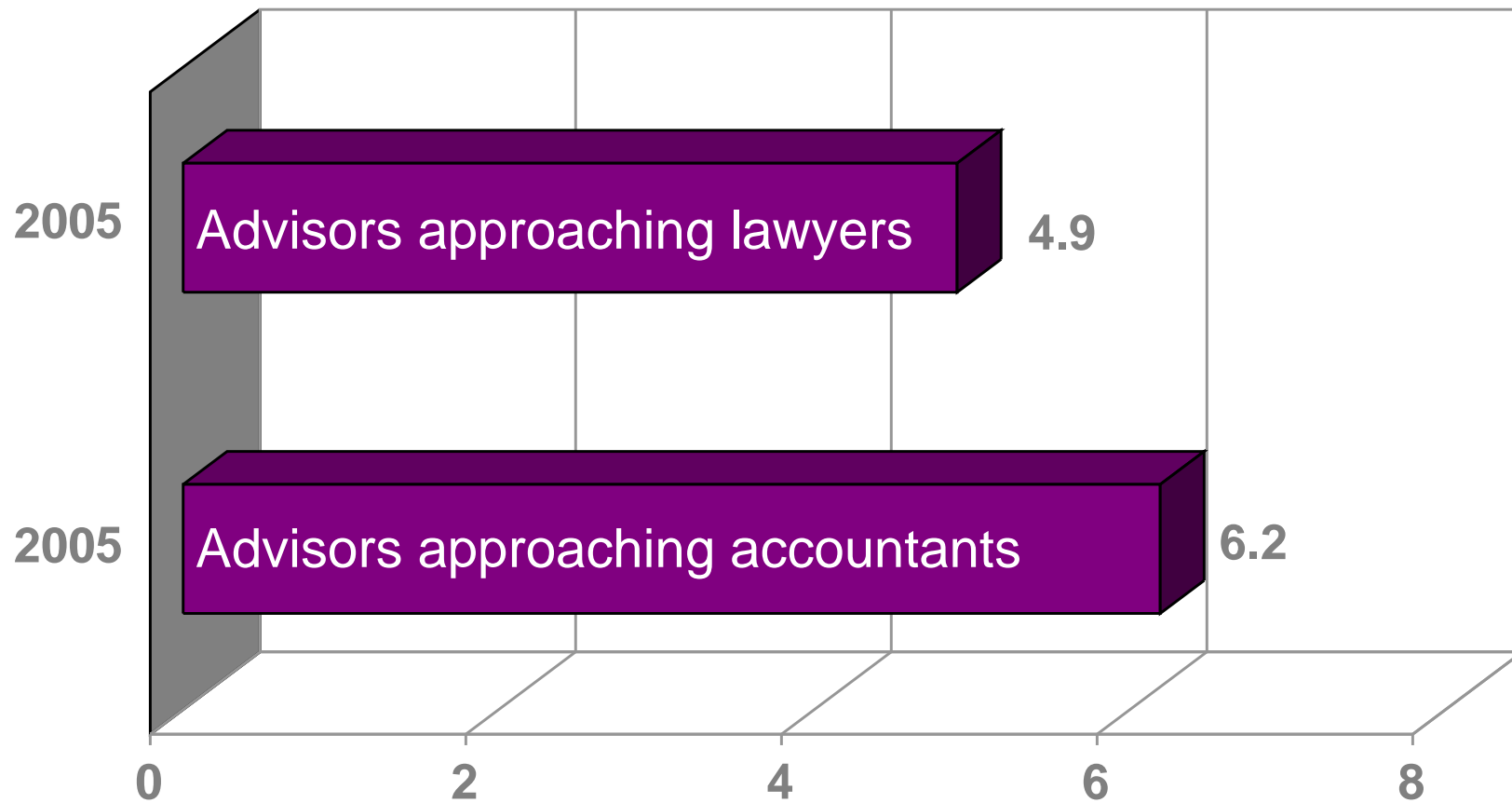
High-Net-Worth Advisors Rely on Professionals

New business sources by business model

Source	Multifamily Office	Wealth Manager	Product Specialist	Generalist
Client Referrals	16.7%	38.7%	4.9%	61.7%
Professional Referrals	52.3	57.9	17.5	31.7
FA Revenue Sharing	29.3	1.2	77.1	2.1
Other	1.7	2.2	0.6	4.4

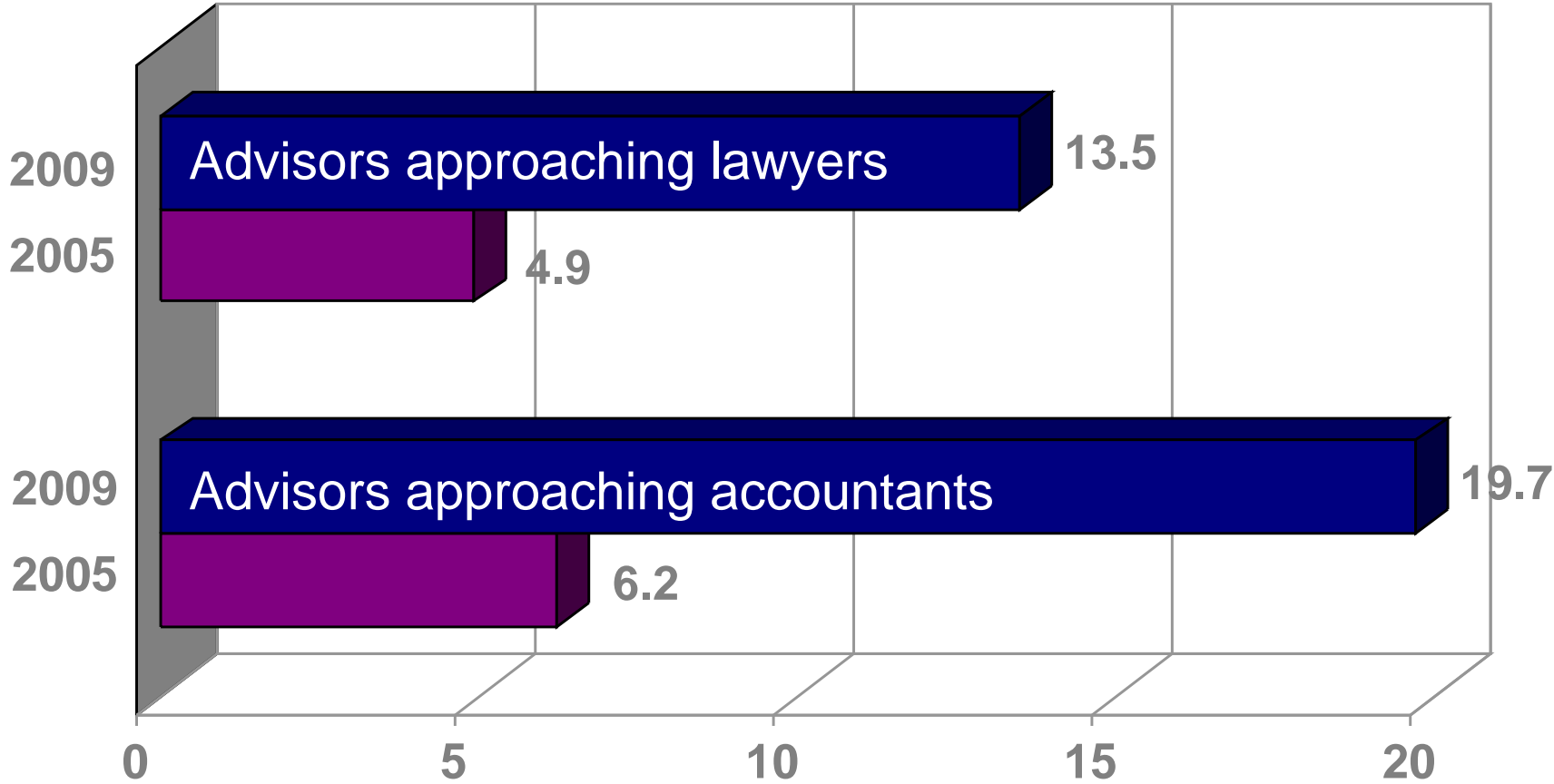
In The Crosshairs

COIs report significant attention in just a 6-month period



An Increasingly Crowded Space

Economic downturn almost triples the competition



Using Time Wisely?

What advisors do now with centers-of-influence

1. Communicate my money management process
2. Keep “in front” of the professionals
3. Promote new ideas, strategies or products
4. Generate revenues for the professionals
5. Establish formal joint-ventures

Most Advisors and COIs Interact Intermittently

The Typical Alliance
Periodic referrals of new business
One of many advisors that receive new business referrals
Not focused on sharing business opportunities
Not considered in the business planning process

What Has to Change?

Comparing Typical Alliances & Strategic Partnerships

Typical Alliances	Strategic Partnerships
Periodic referrals of new business	Regular referrals of new business
One of many advisors that receive new business referrals	The only or primary advisor for referral business
Not focused on sharing business opportunities	Actively looking for opportunities that benefit the partnership
Not considered in the business planning process	Central to one another's growth plans

Not Just Anyone

Finding the right partner takes time and effort

- The right professional partner must fit with your business goals, capabilities and personality style
- Establish your own screening criteria and don't compromise
- Both parties have certain baseline expectations and needs — know what they are in advance
- Perhaps most importantly, both professionals must get value from the partnership for it to sustain and evolve

A Starting Point

These five questions can quickly identify a “bad fit”

1. Who is the professional as a person?
2. What are the professional’s goals and objectives for his or her practice?
3. Does the professional have a perspective or bias on various financial services and products?
4. What is the average profile of the professional’s current clientele?
5. How does the professional currently get new business?

Getting to the Next Level

Understanding their practice and perspectives is necessary

- How do they manage their practice?
- What marketing approaches do they use?
- How are they compensated and how does it impact their lives?
- How can you be a resource for them?
- How open are they to working with you?

The Short List

COIs have prerequisites for their partnerships, too

	Lawyers	Accountants
Personal Integrity	98.4%	99.2%
Understand Their Role	94.0%	94.8%
Technical Expertise	91.9%	88.8%
State-of-the-Art Strategies & Product Ideas	75.3%	82.1%

Key Areas of Interest

Leverage your resources to meet their needs

	Lawyers	Accountants
Best Practices	86.1%	89.2%
Marketing Ideas & Support	64.3%	73.3%
Ways to Improve Compensation	75.9%	68.1%

What's In It For Me?

Remuneration comes in many forms

Direct Financial Incentives

- Reciprocal referrals
- Sharing in revenues from product sales
- Generating significant professional fees

Indirect Financial Incentives

- Practice management
- Marketing support and ideas
- Insights into alternative compensation structures

Food For Thought

Guiding principles for working with centers-of-influence

- COIs are the best source of new wealthy clients, but a relationship doesn't presume referrals
- COIs must be cultivated and access to their clients must be earned
- Not everyone deserves to be your partner, dedicate the time upfront to understand and assess possible candidates
- In a strategic partnership the COI is your client
- Limit your strategic partnerships to 5 or less
- Respect the existing relationship between COIs and clients, keep them informed and don't overstep boundaries
- Continually add value to become the essential partner

Q&A

Thank You!!

hannah@hsgrove.com

www.hsgrove.com

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