



SpectremGroup

The Affluent and Their Perception of Wealth Management

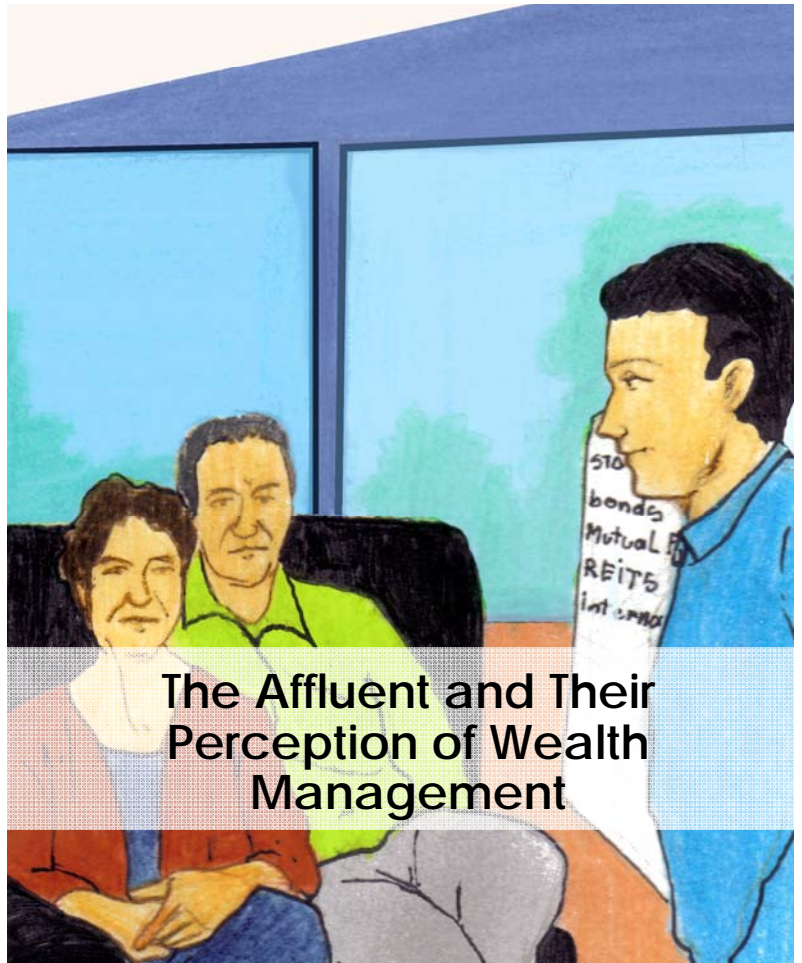
A Spectrem Perspective, 2008





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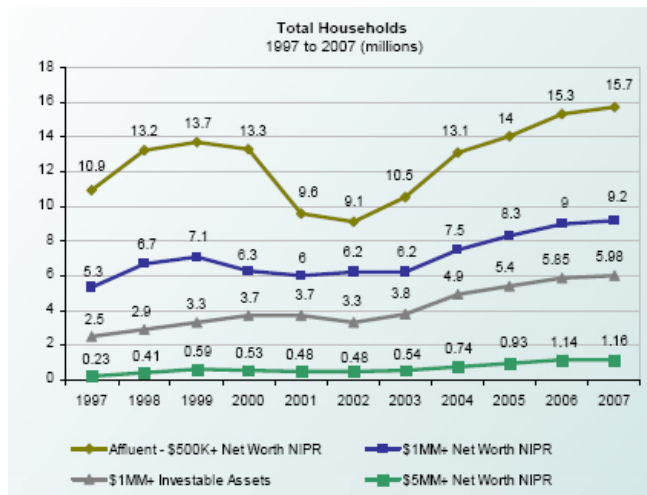
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Introduction

The term “Wealth Management” is a phrase frequently used in the marketplace. Financial services providers have a variety of Wealth Management services that target Affluent Investors. These services vary by providers. But what does Wealth Management really mean to Affluent households and do they find the term “Wealth Management” appealing?

Why do financial providers care about “Wealth Management”? One of the primary reasons is due to the number of households that could be defined as “wealthy”. At year end 2007 there were over 15 million households that had over \$500,000 of net worth (not including their primary residence). While the overall numbers are expected to drop precipitously with the market challenges of 2008, these are still the households that financial service providers will be seeking. There were approximately 9 million households with net worth of over \$1 million and 5 million households with investable assets of over \$1 million. Only slightly over 1 million households have a net worth exceeding \$5 million. Clearly attracting this limited number of households is critical to providers of all types.



This report focuses on the affluent investor’s perceptions of “Wealth Management”. In particular, Spectrem explores the following:

- Do the affluent see themselves as eligible for "Wealth Management" programs?
- What services and products do they expect from "Wealth Management" providers?
- What does "Wealth Management" mean to them? Do they like the term “Wealth Management”?
- Which financial services providers are perceived to be the best equipped to satisfy their wealth management needs?
- What is the preferred fee structure? Is it commission or fee based?



Methodology

Spectrem surveyed multiple Affluent households to understand their attitudes towards wealth management. A total of 503 affluent households were randomly selected and surveyed by telephone in June and July 2008. For the purposes of this study, an “affluent household” is defined as those with over \$500,000 in investable assets. To qualify for the study the respondent also had to be the financial decision maker in their household. The goal of this report is to provide meaningful recommendations to help financial services providers improve their wealth management programs.

Key Findings

- Forty-one percent of the respondents responded negatively to the term “Wealth Management” (either strongly disagree or disagree). Only one third of the affluent either strongly agree or agree that the term “Wealth Management” appeals to them.
- As noted above, the term “Wealth Management” is not incredibly popular with wealthy households. As wealth levels increase, however, the term becomes more appealing. Senior Corporate Executives are generally more comfortable with the term “Wealth Management” than Business Owners.
- Independent Financial Planners, Independent Investment Advisors and Full Service Brokers are the top three types of providers/advisors that households believe are best equipped to meet their wealth management needs. Attorneys, Insurance Companies, and Banks are perceived as the least equipped to meet their wealth management needs.
- Two thirds of respondents were aware that their primary financial services provider offered a wealth management program. Only 43% were using those services.
- Generally, the Affluent indicated a preference for a set fee as opposed to a commission based fee structure. However, the less wealthy households were indifferent regarding the two fee structures.
- Affluent households believe that they should receive additional services from financial services companies due to their level of assets.
- The wealthiest and the oldest households are currently more likely to be involved in Wealth Management programs than the younger and less wealthy segments.
- Asset management was not a critical component for wealthy households. The most demanded service in a “Wealth Management” program is a “Comprehensive Financial Plan” followed by “Advice on Setting up an Estate Plan” and “Tax Planning”. These programs can effectively be used by providers to get to the more desirable and profitable asset management function.

Perception Of Wealth Management

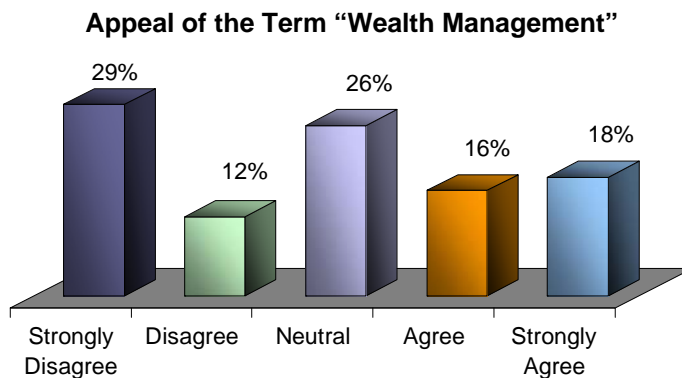
Over the years, Spectrem's research has suggested that affluent households are not particularly enamored with the term "Wealth Management". Focus groups and other Spectrem research has shown that "Wealth Management" lacks appeal because many investors are skeptical that the concept is more marketing hype than reality. There is also a feeling that they may not be wealthy enough. Comments that are typical of attitudes about "Wealth Management" include:

- *"Wealth is too exclusive, the term suggests something for the rich only."*
- *"Wealth Management makes me think of the term "shyster" – somebody who wants to take my money. The term is used too much today."*
- *"There are so many millionaires out there that they've lowered the bar for Wealth Management - new money...mass market...especially since it's on TV all the time."*
- *"It sounds like a fancy name for financial advisors."*
- *"They're going to get wealthy from me."*

Because of the results of the qualitative research, Spectrem decided to do quantitative research focused specifically on the concept of "Wealth Management". While there were mixed perceptions about the term "Wealth Management," the results clearly show that the majority of respondents did not find the term "Wealth Management" appealing.

Only 34% of respondents either Strongly Agree or Agree that the term "Wealth Management" appeals to them. Conversely, 41% of the respondents either Strongly Disagree or Disagree that the term "Wealth Management" appeals to them.

Agree - Top Two Box of 5 point scale	Disagree - Bottom Two Box of 5 point scale
34%	41%



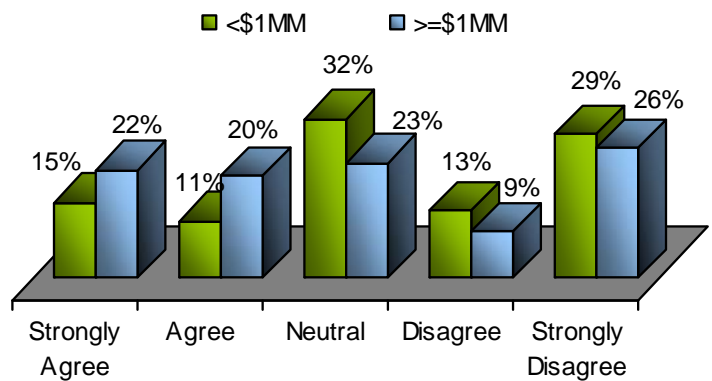
Perception Of Wealth Management

The term “Wealth Management” becomes more appealing as the level of wealth increases. Those with more wealth feel more comfortable with the term “Wealth Management” than those with less wealth. Additionally, when assessed by occupation, Senior Corporate Executives are generally more comfortable with the “Wealth Management” terminology than Business Owners.

Wealth	Agree - Top Two Box of 5 point scale
<1MM	26%
>=1MM	42%

Wealth	Disagree - Bottom Two Box of 5 point scale
<1MM	42%
>=1MM	35%

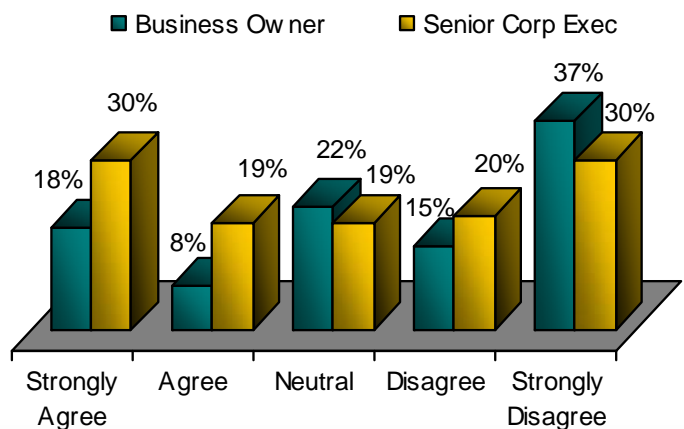
Appeal of the Term “Wealth Management” – by Wealth



Occupation	Agree - Top Two Box of 5 point scale
Business Owner	26%
Senior Corp Exec	49%

Occupation	Disagree - Bottom Two Box
Business Owner	52%
Senior Corp Exec	32%

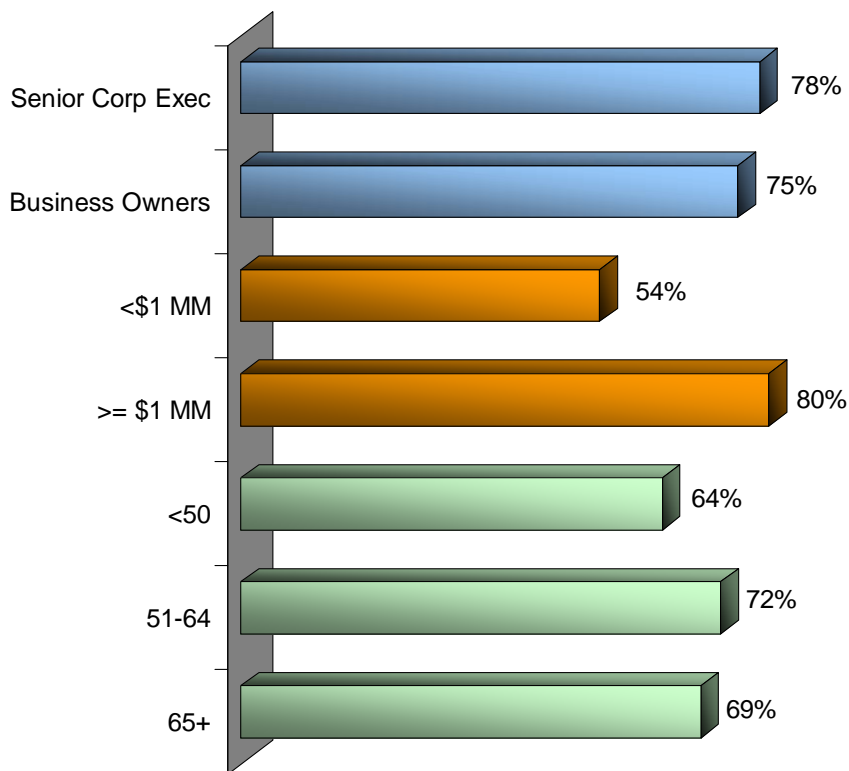
Appeal of the Term “Wealth Management” – by Occupation



Perception Of Wealth Management

Wealthier households (those with over \$1million in investable assets) are more confident that they have enough assets to qualify for Wealth Management than those with less than \$1 million. Older persons are also more likely to feel they have enough assets to qualify for Wealth Management. Leading financial services companies often require individuals to have \$1 million in total relationship balances to qualify for Wealth Management. It will be interesting to see how the industry may change due to the recent financial crisis.

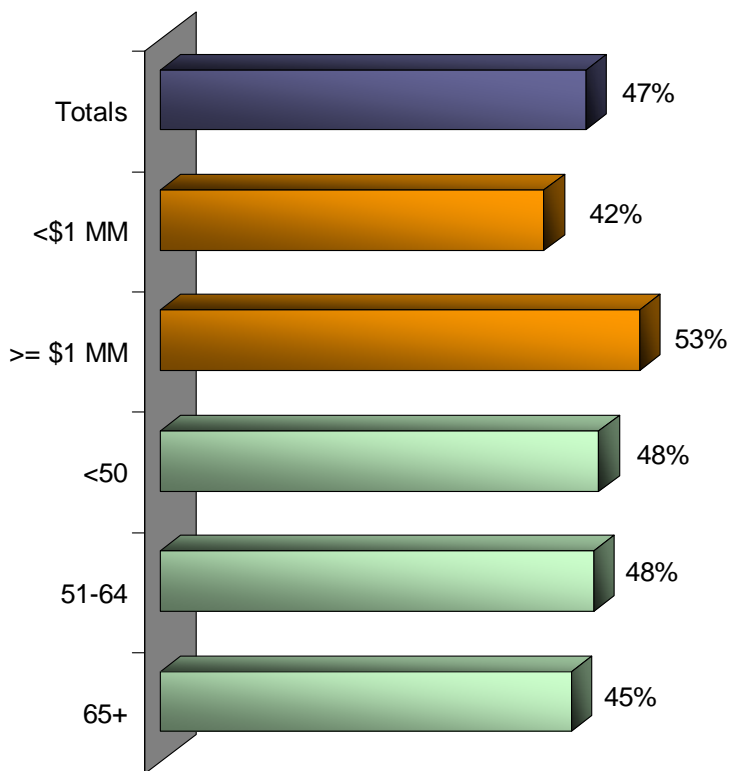
I Feel Confident that I Have Enough Assets to Qualify For a Wealth Management Program – by Wealth, Age and Occupation



Perception Of Wealth Management

Almost half of Affluent households believe they should receive additional services due to their level of assets. The wealthiest segments, followed by the youngest and then those between ages 51 and 64 believed that they should receive additional services.

I Believe People With My Level of Assets Should Receive Additional Services From Their Financial Services Provider - by Wealth and Age

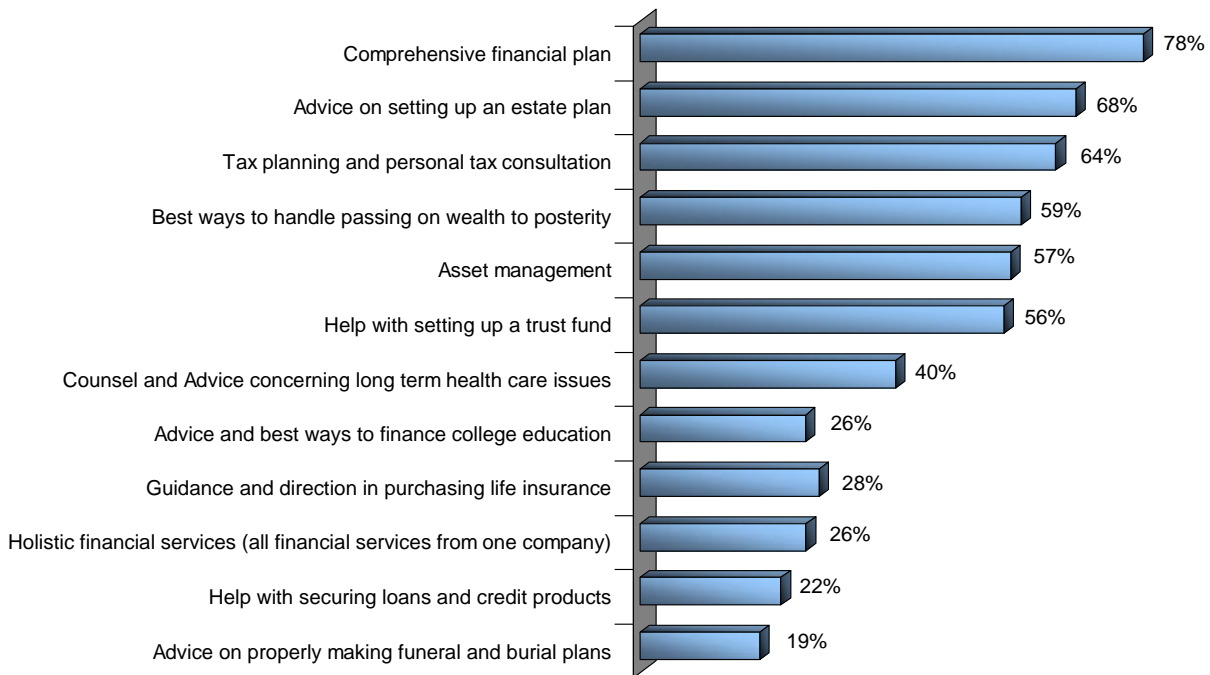


Agree- Top Two Box on a 5 Point Scale

Perception Of Wealth Management

So what types of services do clients believe should be included in “Wealth Management”? According to respondents, a Wealth Management program must include a Comprehensive Financial Plan, Advice on Setting up an Estate Plan, Tax Planning and Personal Tax Consultation, Asset Management and the Best Way to Handle Passing Of Wealth To Posterity. Asset Management, the most important component for financial service providers, was only important to slightly more than half of the households. Additionally, Setting up a trust fund was important to slightly more than half of the individuals.

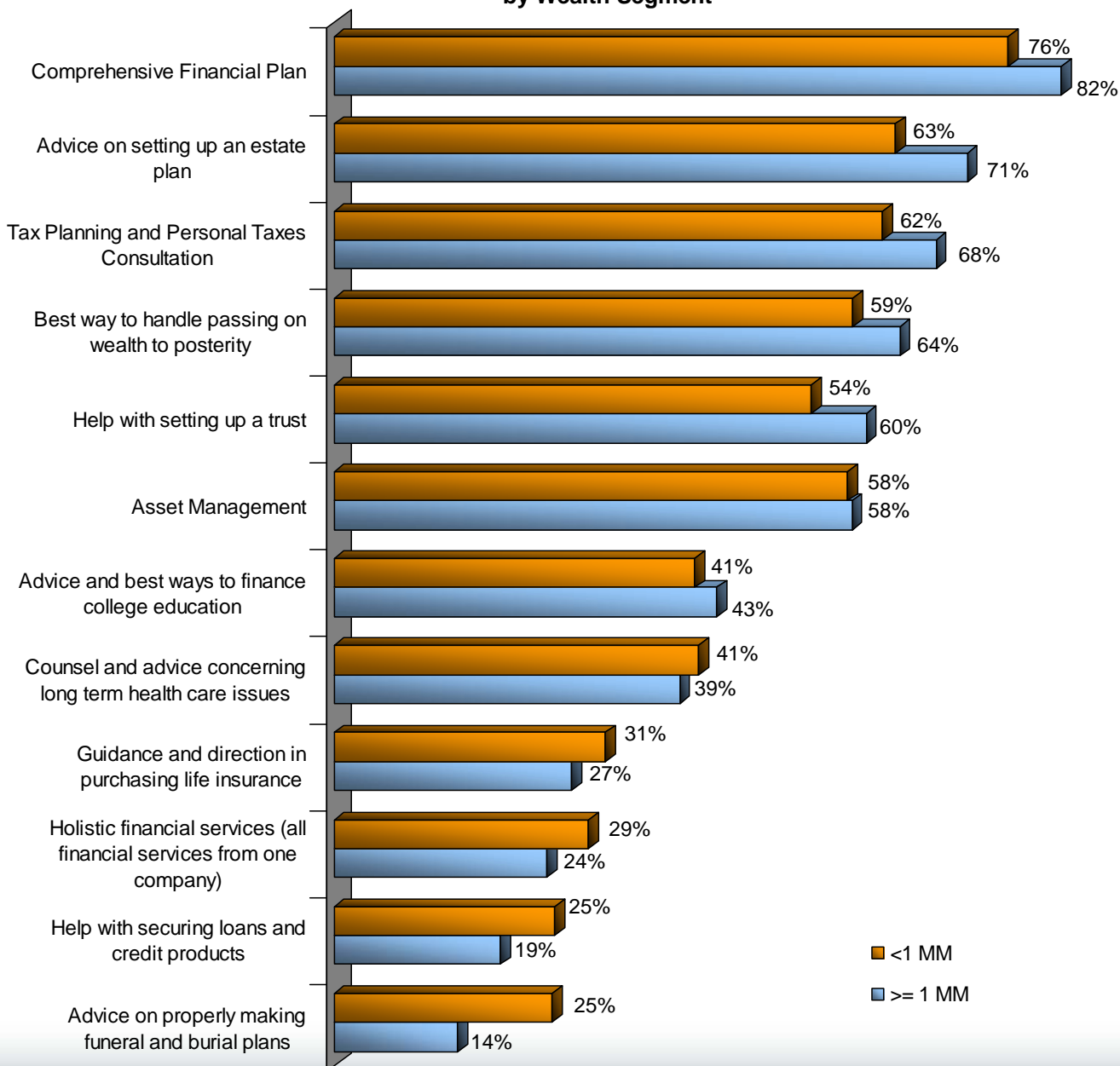
Services a Wealth Management Program Should Include



Perception Of Wealth Management

The importance of various components do not vary significantly by wealth segment.

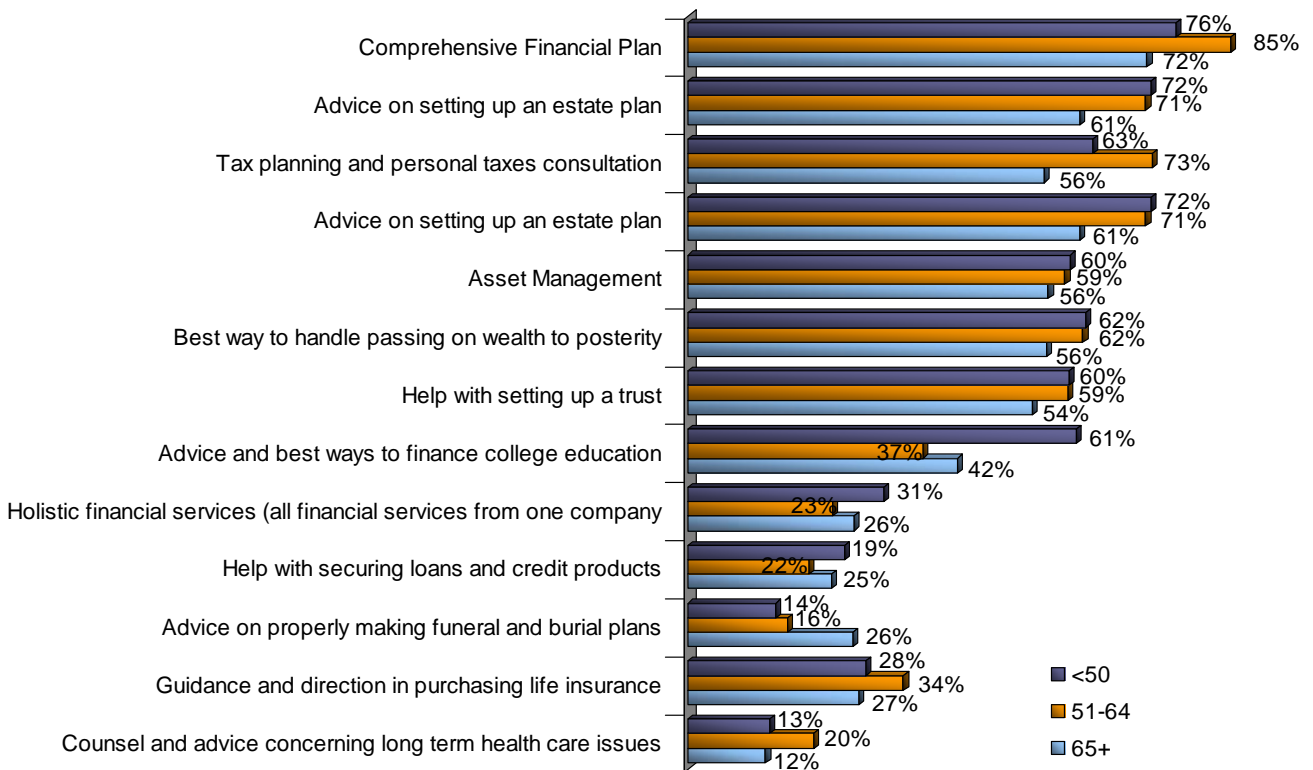
**Services a Wealth Management Program Should Include
 by Wealth Segment**



Perception Of Wealth Management

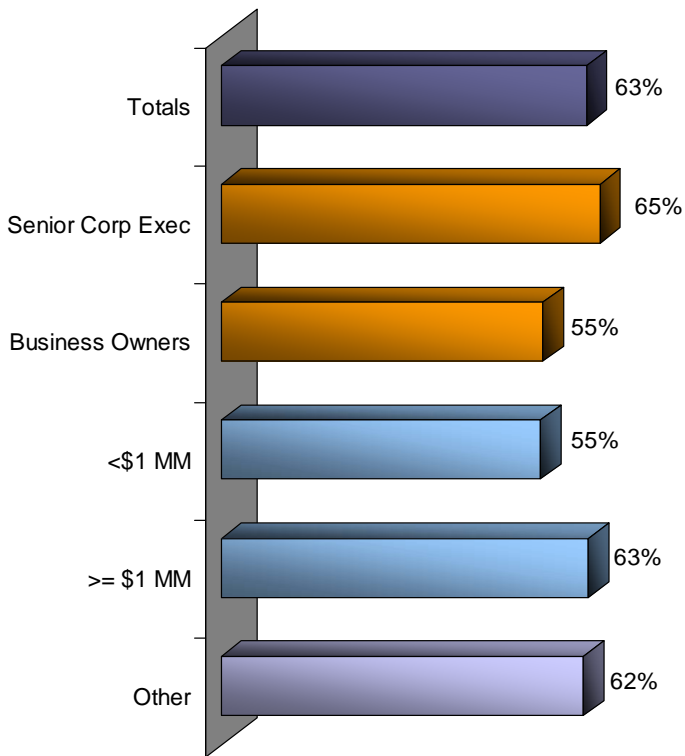
There are greater variations regarding the individual components that should be included in a Wealth Management program by age. Not surprisingly, a relatively high percentage of people under the age of 50 believe that Advice on Setting up an Estate Plan, and the Best Ways to Finance College Education should be included in a Wealth Management Program. Help with Securing Loans and Credit products, Advice on Making Funeral and Burial Plans and Guidance on Life Insurance Products are not considered to be an important part of a Wealth Management Program.

**Services a Wealth Management Program Should Include
-by Age**



Perception Of Wealth Management

The Primary Provider for My Financial Services Offers a Wealth Management Program – by Wealth and Occupation

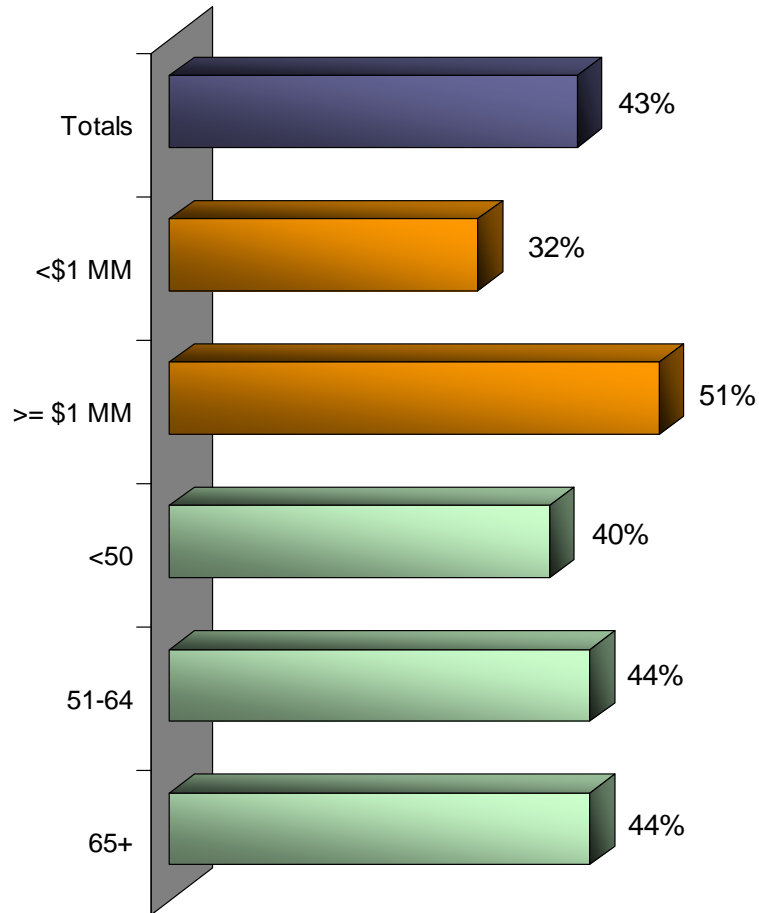


Sixty three percent of affluent households indicate that their financial services provider offers a Wealth Management program. Wealthier households (those with over \$1 million) are more likely to be aware of these services because their providers have probably contacted them. Senior Corporate Executives were more aware of these services than Business Owners.

Perception Of Wealth Management

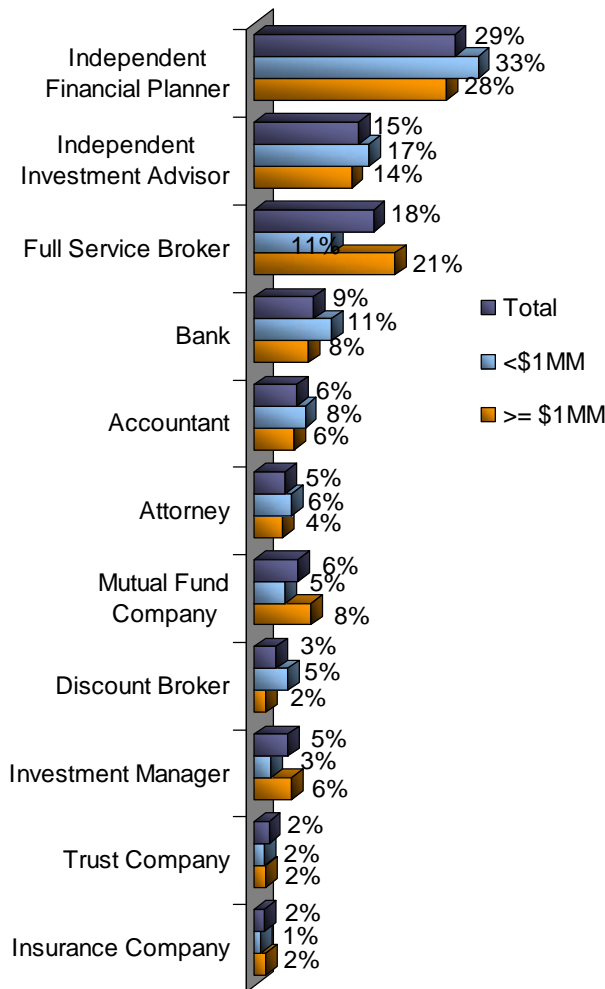
Despite the fact that over 60% of the households are aware that their providers offer a program, only 43% are participating in the Wealth Management program with their provider. Not surprisingly, the wealthier and older groups are more likely to be involved in Wealth Management programs with their providers than the younger and less wealthy segments.

I Am Currently Involved in a Wealth Management Program with my Financial Provider - by Wealth and Age



Perception Of Wealth Management

**Companies Best Equipped to Meet your “Wealth Management” Needs
-by Wealth Segment**

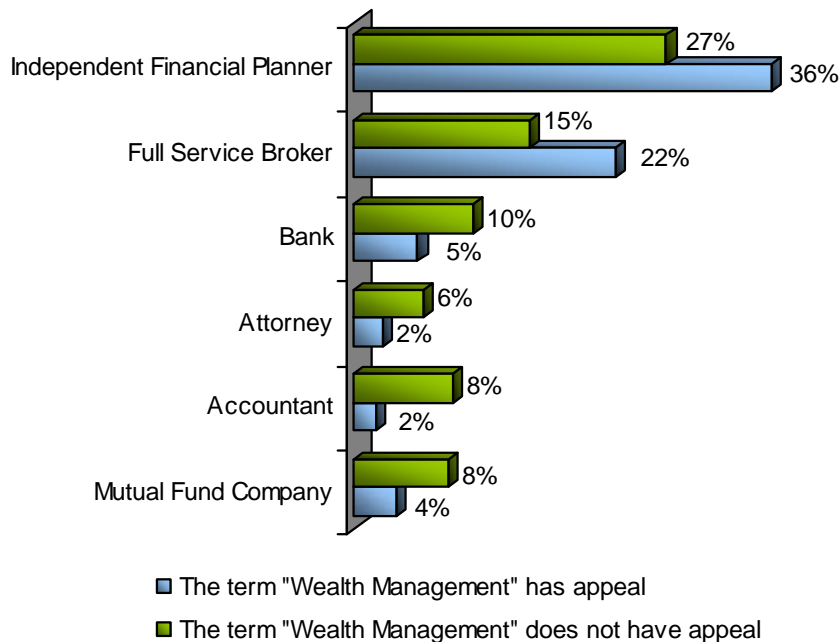


Independent Financial Planners, Independent Investment Advisors and Full Service Brokers are the top three companies wealthy households believe are best equipped to meet their wealth management needs. When assessed by specific wealth segments, there are some recognizable differences in the top three company preferences. The wealthier segments were slightly more likely to prefer Full Service Brokers than the less wealthy. However, all segments chose Independent Financial Planners as their first choice.

Perception Of Wealth Management

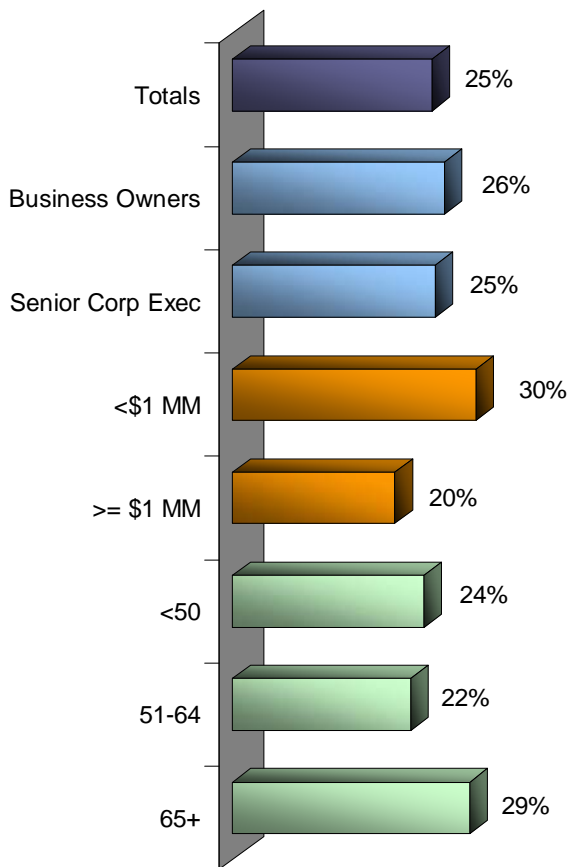
When comparing and contrasting those who like the term “Wealth Management” with those who don’t, it is clear that those who liked the term also believed that Independent Financial Planners and Full Service Brokers are best equipped to meet their needs.

Companies That are Best Equipped and Least Equipped to Meet Wealth Management Needs



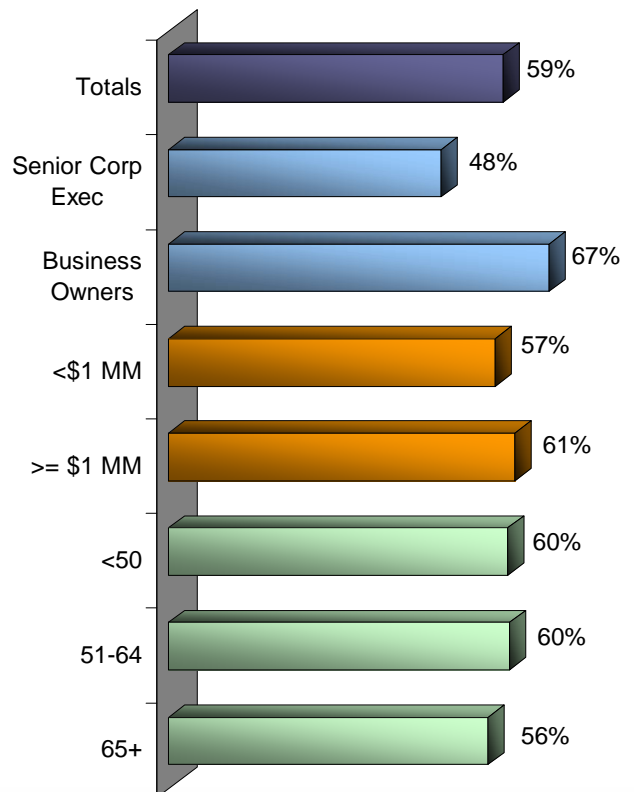
Perception Of Wealth Management

Presently, I Am Not Aware of a Good Wealth Management Program



A quarter of the Affluent are not currently aware of a good Wealth Management provider. This is true particularly among those with less than \$1MM.

Fee Structure for Wealth Management Services: Preference for Fee Based Services Rather than a Commission - by Wealth, Age and Occupation



Generally, the Affluent prefer a fee based approach rather than a commission based fee structure. Fifty nine percent of the total respondents indicated that they preferred a fee based structure. Business Owners have a stronger preference for Fee Based Services compared to Senior Corporate Executives.

Implications

Use Financial Planning and Estate Planning to get to the more Profitable Function of Asset Management

Most financial providers focus on asset management. Yet, the most demanded service in a “Wealth Management” program is a “Comprehensive Financial Plan” followed by “Advice on Setting up an Estate Plan” and “Tax Planning”. The more profitable function of Asset Management falls down towards the middle of services investors would like to see in a “Wealth Management Program”. However, properly administering the financial plan, setting up an estate plan and providing advice on taxes can be an effective way to get the more desired and profitable Asset Management function.

Carefully Evaluate Using the Term “Wealth Management”

Branding is an in-exact science, but an important one. With nearly a third strongly opposed to the term “Wealth Management” and less than a fifth liking the term, finding something that is more appealing to the affluent becomes very important. Financial providers must honestly assess their “sweet spot” and determine if their clients are primarily in excess of \$1 million or if a significant number are slightly below that amount. The term “Wealth Management” does gain more credibility as wealth increases, so usage of the term should be reserved for the most wealthy clients of the institution.

Offer a Wealth Management Program and let your Clients know

A quarter of the affluent either are not aware if their providers have a Wealth Management program. If your institution does offer such a program, make sure all clients, and particularly the up and comers are aware of it and of the advantages and benefits it offers. Nearly 50% of the affluent believe they possess the assets that justify their inclusion in some type of wealth management program.

Understand the perceptions of your organization before launching a Wealth Management Program

Certain types of institutions are perceived as having the capabilities to have a strong wealth management program, and certain ones are not. Financial planners, full service brokers and investment advisors are looked upon as being good firms to offer such a program, while attorneys, banks and insurance companies are not viewed as favorably. Carefully position and tailor your program to best utilize or change current perceptions. The current financial crisis is combining many of these organizations together and they should take advantage of the best of all provider types.

Implications

Tailor Your Wealth Management Program to Meet Clients Needs

Affluent clients have a variety of needs based on wealth, age, occupation and other variables.

Developing a Wealth Management program for your client base, and your preferred or expected client base will yield huge dividends. The needs and wants for a young business owner are very different from the needs for a retired professional. Part of this should also include tailoring your fees to the needs and desires of your clients. Carefully tailor your program.

Fee Based Services continue to grow in Popularity

If you do not currently offer fee based services, it is time to reassess. Younger households have greater expectations of fee based services. Even older households are increasingly looking for fee-based services.