

## GUEST COLUMN

**The Changing Face Of Today's Wealth Management Business**By **Anthony Riotto***Anthony Riotto*

In today's changing wealth management business, the client is relying on the relationship manager more so than ever to have a clear understanding of their objectives, and the technical expertise to drive their strategies. Since they are crucial to the success of the firm, the competition for talented relationship managers is the most

intense among trust banks, private banks, brokerage firms, registered investment advisors, family offices, and multi-family offices. The relationship manager's value is further enhanced because the clients' discontent levels increase when their advisor leaves the firm—a frequent occurrence in the last two months as more advisors head for independent firms or boutique shops.

In thirty years of recruiting wealth management professionals, I have asked one question thousands of times when an executive wants to switch firms: "What is your motivation for considering a move?" The answers allow me to understand the candidates' perceptions, values, and sincerity. Here's what I've learned:

The best relationship managers are devoted to their clients. They experience anxiety when they perceive that corporate decisions are in direct conflict with the best interests of their clients. An example is putting sales quotas on specific products, which present a direct conflict. The problem is, "if I'm not pushing a product, my own annual review and bonus will suffer" while the other side of the concern is, "I might lose my client."

These are tough choices. If they give in to the pressure of the organization, the relationship manager often feels a loss of professional integrity.

Compensation must be fair and competitive. It's worth noting that few relationship managers made compensation their primary motivation for changing firms. \$10,000, \$20,000, or even \$50,000 is not enough of an incentive to recruit an individual to an organization that doesn't truly understand and deliver a value-added proposition around wealth management. Conversely there is often a willingness to consider the potential of an increase in compensation, yet not an increase on the spot, when moving to an organization with the right philosophy.

When profit margin supersedes providing quality client service, the result is inadequate technology and insufficient and poor quality support. This translates into late nights and some weekends for those relationship managers who care.

Workloads are often excessive. Many relationship managers

feel guilty about not being able to service their clients properly. The relationship manager is leveraged to a breaking point.

Culture clashes are caused by merging companies with different philosophies and business models. Relationship managers struggle with these differences. This was obvious with recent mergers in the space that forced relationship managers from a customized wealth management approach to a one-size-fits-all model.

Some relationship managers find their focus is overly internal, rather than with the client or prospects. They are bogged down with an overbearing process, excessive internal meetings, and the inability to gain access to specialists. Often, decision-making is too bureaucratic, at the expense of competitiveness and client service.

When the wealth management organization is a part of a larger financial institution, resources for the wealth management group are often limited. Bonuses may be nonexistent if the larger parent experiences a financial mishap.

Relationship managers want to be appreciated as well as recognized. Relationship managers thrive when given the opportunity to participate in corporate decisions. Corporations thrive when they exploit the relationship manager's understanding of the client to create policies, products and services.

All of the major service providers have experienced decreases in revenue, but some wealth management boutiques have had substantial gains in new business revenues and are seeking seasoned relationship management talent.

National registered investment advisory firms are starting new companies and providing entrepreneurial relationship managers with the opportunity to start their own firms with significant ownership. This can be very attractive since the parent company can provide cutting edge products and the centralized support and services of a national platform.

Using the flourishing single-purpose wealth management boutiques as the inspiration, I believe we will see a new breed of independent wealth managers that will be small, entrepreneurial, more client focused, more personalized, and with less interest-clash and bureaucracy.

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