

## SOUNDING BOARD By **Anthony Riotta**

# Downsized, Demoralized and Disillusioned...Now The Good News

Wealth management professionals are out of work in great numbers. Many others who still have their jobs are worried about the future. The current financial crisis has pushed portfolio asset values way down, causing management fees to also plunge.

Lower fees have forced staff cutbacks, leaving larger account loads and angry clients for those who remain behind. Many large financial institutions have had their reputations tarnished, resulting in client

dissatisfaction and defection. In this negative environment, there appear to be fewer career options for wealth management professionals, but once you look behind the bad news you will see that there are signs of actual job opportunities in places you might not have considered.

In my thirty years of recruiting wealth management professionals, there have been three serious job market downturns. Each time, the business has returned with increased vigor and evolved to a new level. There are several recovery signs already in evidence. The most important is demand. There is a tremendous client need for impartial advice. But the clients have changed—they've gotten burned and have gotten wiser as a result. Changes will be driven by a skepticism that will test the premise of "the trusted advisor." Clients will want to participate in the management of their assets rather than hand over their financial lifelines to an advisor. Clients will be asking questions about the business model of their wealth manager and how it fits their needs for unbiased advice and customized service.

Current market conditions have made room for new wealth management providers. Accounting firms, law firms, and investment management firms have all taken advantage of their

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trusted advisor status and are aggressively entering and expanding into the full-service wealth management business. The mid-sized national accounting firms have been hiring journeymen with professional designations (CPA, CFP, CHFC, MBA or JD), who are wealth strategists with investment management experience. The investment knowledge generally involves asset allocation and investment strategies using investment open architecture. With a less than full bench, they have talent needs and job opportunities for business managers, fiduciary specialists, and relationship managers.

We can expect to see some new trends emerge in the wealth management industry that will reflect future job growth. The larger providers have been the source of the greatest amount of job cuts, but these cuts haven't come as a result of a decline in demand for wealth management services, but more due to the missteps of their parent. There is still a great demand for wealth management services. During the recent economic decline, selective hiring has continued at multi-

family offices and national boutiques. These entities have been the beneficiaries of double-digit new business growth. There is an excellent talent pool available, and these organizations have been aggressively upgrading their management, technical, sales, and relationship management professionals.

There also continues to be demand for proven sales specialists. Brokerage firms have been hiring fee-based sales professionals with relationships in great numbers, and it has become a volume game. Private bankers that manage relationships and sell are particularly sought after, especially if they have a book of business that can be brought along to the new organization. But the

private banker must be able to show that there is client loyalty and a following. There is a healthy skepticism about whether clients will actually follow, but a private banker that can make the case can usually generate an interview with a wealth management provider of comparable reputation and services.

Registered investment advisors are also in transition and have been hiring. We've worked with several principals that are interested in growing and are evolving beyond "lifestyle" firms. When evaluating how best to accomplish this, it is becoming clear that they have a need to focus more on their client relationships. As a result, they are looking to bring in cios, coos, and wealth strategists to free up the principals to focus more on client acquisition and retention. In some cases, these new professionals heading to smaller firms will have their first opportunity for ownership in their firms and an opportunity to build their own wealth. These major changes will provide excellent future growth in the RIA segment.

Lastly, investment management firms serving both institutional and individual clients are also starting to become full-service wealth managers, and expanding their existing

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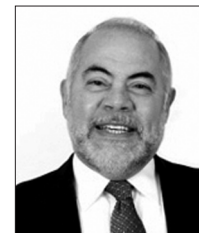
relationships. Some new hires are being offered a participation in their new firm, and an opportunity to increase their ownership at a reduced price. My prediction is that this type of firm will be very successful in growing its new wealth management business.

What conclusions can be drawn from all of this? Growth.

There are new competitors entering the market and many with pots of money to buy into this business. Dissatisfied and skeptical clients are looking for new wealth management providers. The successful providers will have a transparent business model and

clearly stated values that are in line with the needs of their clients. Assuming you have a client service orientation, aligning yourself with a firm that has a trusted advisor focus will provide the most rewarding career.

*Anthony Riotta is the founding partner of New York-based Riotta-Jones, a national wealth management consulting and search firm launched in 1982.*



*Anthony Riotta*

## LEGG MASON

*(continued from page 1)*

coaxing clients to look at Treasury Inflation Protected Securities (TIPS) as well as other inexpensive ways to hedge against inflation.

O'Mealia said his clients are worried about whether they will have enough money to ride out the current market and if they should reduce equity exposure. "I've been asked if they should maintain their equity exposure or if they should even own equities at all," said O'Mealia. He stressed that LMIC has followed a conservative investment strategy, which has resulted in some portfolios down by only 8-20% with no leverage.

O'Mealia is working with LMIC advisors on macro issues to talk about with clients, such as how much worse the recession could get, how long it will last and what Washington's response will be. "There are new levels of political risk and we're putting that into our analysis. It's caused us to be more diversified in our portfolios than perhaps we would normally be," said O'Mealia. As for his prediction on when the U.S. may start to emerge from the recession, O'Mealia predicts six to nine months in the best case, and in the worst scenario he predicts at least two more years of difficulty.

In terms of client contact, the firm communicates with clients in quarterly face-to-face meetings, frequent phone calls and emails about current market conditions, O'Mealia added. LMIC serves clients with \$10 million and up in investable assets.

—*Kristen Oliveri*

## ROCK & CO. ELIMINATES

*(continued from page 1)*

Rock & Co.'s four-person team in D.C., including Susan Traver, head of business development. Calls to Stamford, Conn.-based King, who was brought on two years ago to grow the unit, were not returned. Collins, Stern and Traver could not be reached.

The cuts turned heads in the industry, as the private family office had thus far been immune from having to reduce staff. Rock & Co. has been steadily adding client-facing executives (*PAM*, 3/9). There was some speculation that the Rockefeller Family was involved in the decision, but an executive at the firm said that was not the case.

—*Marianne Nardone*

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