



Investing in the future

2011 US wealth management study: a focus on product
and client trends

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This survey would not be possible without the support of the individuals who agreed to participate. We thank them for their time and the insights they shared with us.

The survey encompasses the views of 39 senior-level professionals in the wealth management industry. They hold titles in investment product management including: Chief Investment Officer, Head of Global Product Solutions, Client Advisory Consultant, Chief Administrative Officer and Investment Product Manager. Each represents a wealth management firm doing business in the United States, with assets under management that vary from several billion to over \$500 billion. We thought it appropriate to launch our survey series with this group because much has changed since the crisis – the added regulatory landscape has made the business increasingly challenging and the needs of clients are changing rapidly.

There is certainly no shortage of client surveys in the wealth management market today. Ernst & Young, soliciting feedback from the industry leaders it counts as clients, identified a need for additional insight into peer group best practices. We focused this study on client and product strategy, including both client service and product capabilities. We hope that we have achieved this result.

The survey identified the following core themes:

Investment product and client strategy: when asked to summarize their strategy for the next two to five years,

the general consensus among investment management professionals was expanded open architecture, more investment product offerings, and broader client coverage across multiple client segments with a unique service model for each. Such a broad product mandate contributes to complexity of the client interface model and the necessary operating platforms required to support it.

- ▶ In order to identify the best-in-breed product offerings for their clients, most wealth managers have a well-established product review program to ensure existing products remain competitive.
- ▶ Their strategy is highly dependent on the wealth management advisors, who sit as the orchestra leader for both asset gathering and client service activities. Wealth managers continue to invest in the advisor channel and have made investments in both technology and people/process in support of the wealth management advisor.
- ▶ Given their asset gathering mandate, it is critical that wealth managers reduce the servicing burden on the advisor – including online service capabilities – particularly in the area of client reporting for firms focused on high-net-worth and mass-market clients. Wealth managers are clearly investing in a number of service channels next year, making cross-channel communication and coordination even more important. This suggests opportunities to develop more robust

client information databases that facilitate these cross-channel linkages.

- ▶ Wealth managers are also investing in their infrastructures to deliver better information to clients and to improve the efficiency of internal processes.

Mitigating risk: as clients have been increasingly sensitive to risk and in response to changes to the regulatory environment, wealth managers have invested to mitigate company risk across multiple dimensions, including client suitability, investment monitoring and investment manager due diligence.

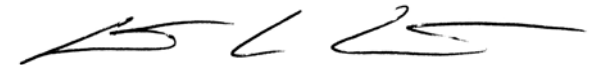
- ▶ Nearly 45% of wealth managers say, of the three, their largest investment to mitigate company risk is in monitoring performance and risk. Not only is this important to protect against unexpected losses, it also provides competitive advantages in ensuring products are competitive.
- ▶ Firms are also making investments in advisor training, suitability processes and documentation in an effort to adapt to the new fiduciary standards.
- ▶ In fact, roughly 80% of wealth managers have or are investing in compliance oversight; adding people and improving processes.

Investment product capabilities: as wealth management firms consider expanding their product offerings, we thought it was important to have a benchmark for what products they actively sell and what their growth expectations are.

- ▶ Not surprisingly, nearly all firms offer mutual funds to their clients and roughly three quarters offer ETFs – and their average growth expectations for assets in these products over the next year was just over 10%.
- ▶ 95% offer managed accounts, but fewer – just 50% – offer unified managed accounts. Growth expectations were higher – an average of 15% growth in AUM over the next year, with higher growth in advisor-directed and unified managed accounts.
- ▶ Fewer still – just 28% – offer the next generation of managed accounts – unified managed household accounts. Those that do offer this product identified several challenging areas: client reporting, and portfolio construction, including asset location and operations/ infrastructure. While a challenge, this could be a clear growth opportunity to serve the high net worth clients.

Finally, we asked you which asset classes you expected to perform best in the coming year. Emerging market equities and US equities topped the list, cited by 62% and 54%, respectively.

In closing, we see a few key challenges ahead. With little differentiation in strategy, success will likely come to those who offer the best-in-breed products with added features and functions delivered through an advisor channel that is unencumbered by non-asset-gathering activities. Strategic investments in wealth management advisor tools, risk-related enhancements in technology, people and processes – though critical for success – will have to be balanced against other organizational imperatives in a highly competitive market.



Anthony Caterino
Wealth Management Leader

Foreword



- ▶ Greenwich Associates conducted interviews by telephone between April and May 2011 with 39 product management and strategy professionals; 40% were from the top 15 wealth management firms in the United States while 30% were from the top 30 wealth management firms in the United States.¹
- ▶ While several of the respondents are global wealth management providers, we asked that they focus their responses specifically on the US.
- ▶ Several wealth managers service multiple client segments across the various wealth bands. In such cases, we asked the respondents to answer our questionnaire for

- the client segment(s) that either represent the greatest proportion of clients or is the most important to him/her.
- ▶ Finally, the firms represented are fairly evenly distributed across each of the dimensions of assets under management and average client type. Mass-market clients were defined as those with investible assets under \$1 million (including both mass-market and core affluent) and high-net-worth clients (both high-net-worth and ultra-high-net-worth) with assets over \$1 million.
 - ▶ Where appropriate, we have provided client segment detail for several of the questions to differentiate how the various firms responded based on their client base and asset size.

Respondent profile	Total respondents
Type	39
By number of clients	
Under 100k	21
Over 100k	13
By assets under management	
\$1 billion-\$49 billion	12
\$50 billion-\$150 billion	12
Over \$150 billion	11
Average client type	(Mean)
Mass-market (<\$250k)	26%
Core affluent (\$250k-\$1m)	18%
High-net-worth/ultra-high-net-worth (over \$1m)	56%
*Note: open-ended commentary segmentation shown as both under/over 100k representing 100,000 clients and AUM breaks in \$ billions.	

¹As reported by DataMonitor.

Methodology and respondent profile





Key findings

Product and client strategy

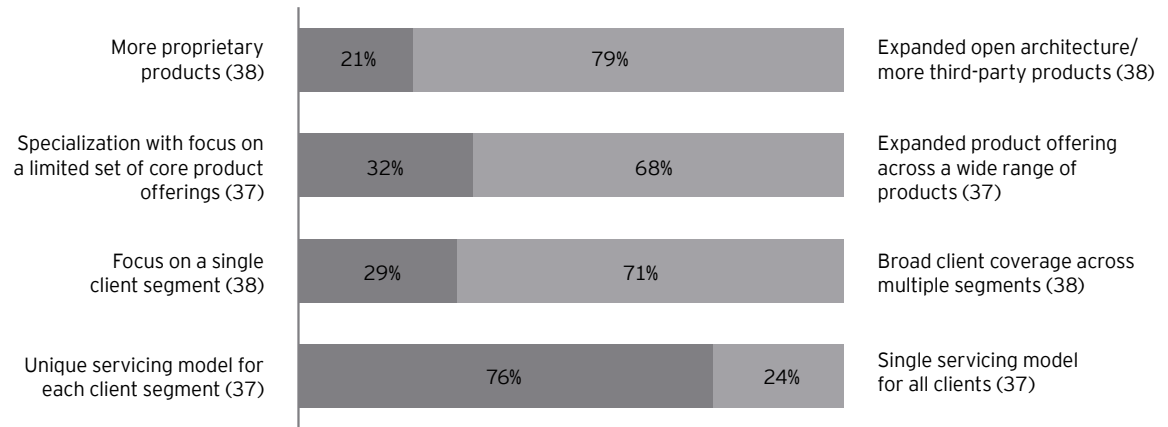
Summary results

When asked to describe their product and client strategy across a series of dimensions, the majority of wealth management firms described their product strategy for the next two to five years as expanded open architecture, offering a wide range of products and described their client strategy as targeting multiple client segments with a unique client servicing model for each.

Larger firms – in client number and assets under management – are more likely to be more focused than smaller firms on open architecture with a wider set of product offerings. Smaller firms – those with fewer than 100,000 clients – appear to be more focused on expanding their client base across multiple client segments.

A strategic decision to be “all things to all people” – as opposed to one of specialization – complicates the business model for these large firms. It has the potential of diluting management attention, makes regulatory compliance more complex, makes implementation of technology (and upgrades) more complex and introduces potential for client and channel conflicts. As a result, firms need to ensure that their processes and technology can adequately support their ambitions.

How would you characterize your firm's product and client strategy for the next two to five years?



	Client segment		Number of clients	
	HNW*	MM*	Under 100k	Over 100k
More proprietary products	(22) 18%	(16) 25%	(20) 35%	(13) 8%
Expanded open architecture/more third-party products	22) 82%	(16) 75%	(20) 65%	(13) 92%
Specialization with focus on a limited set of core product offerings	(21) 33%	(16) 31%	(19) 47%	(13) 23%
Expanded product offering across a wide range of products	(21) 67%	(16) 69%	(19) 53%	(13) 77%
Focus on a single client segment	(22) 23%	(16) 38%	(20) 20%	(13) 46%
Broad client coverage across multiple segments	(22) 77%	(16) 62%	(20) 80%	(13) 54%
Unique servicing model for each client segment	(21) 86%	(16) 62%	(20) 80%	(13) 69%
Single servicing model for all clients	(21) 14%	(16) 38%	(20) 20%	(13) 31%

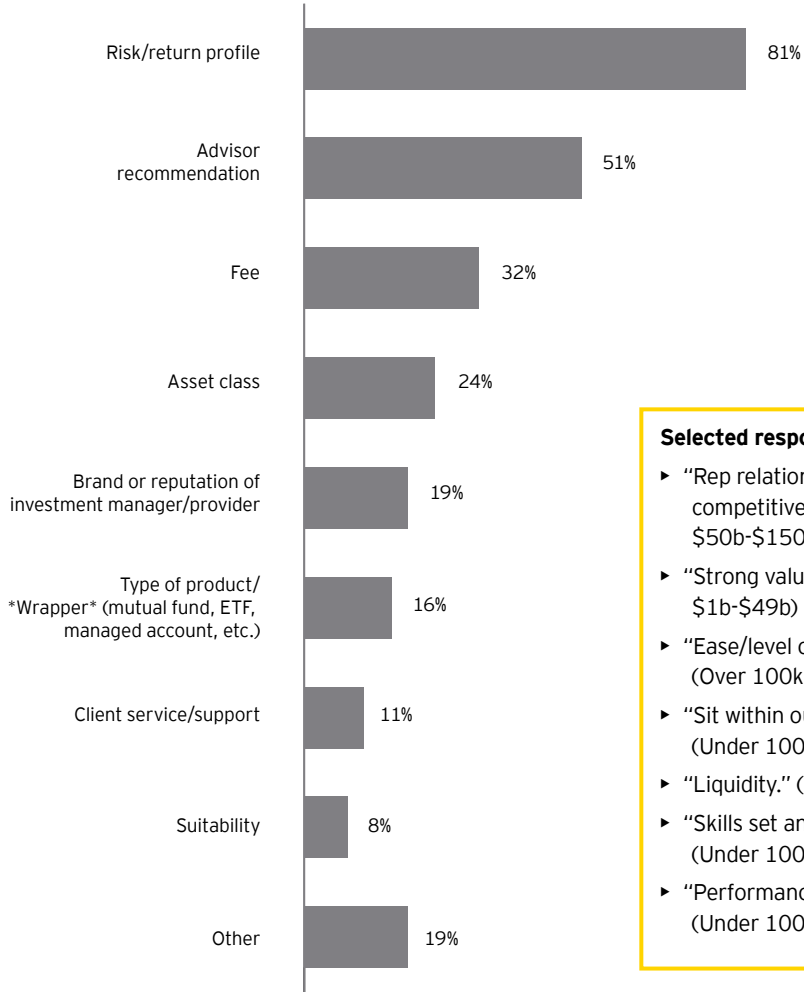
*HNW - high-net-worth; MM - mass-market

Source: Greenwich Associates

Note: Number in parentheses represents the number of respondents. Some respondents did not answer this question.

Important selection criteria in selecting an investment product

What are the two or three most important criteria for your clients in selecting an investment product?



Selected responses

- ▶ "Rep relations, planning basic needs and competitiveness of offerings." (Over 100k, \$50b-\$150b)
- ▶ "Strong value proposition." (Under 100k, \$1b-\$49b)
- ▶ "Ease/level of understanding to clients." (Over 100k, over \$150b)
- ▶ "Sit within our solution set and diversification." (Under 100k, \$50b-\$150b)
- ▶ "Liquidity." (Under 100k, \$1b-\$49b)
- ▶ "Skills set and consistent performance ability." (Under 100k, over \$150b)
- ▶ "Performance and terms and conditions." (Under 100k, \$1b-\$49b)

Summary results

When asked to identify the selection criteria their clients consider in choosing an investment product, the vast majority of wealth managers report that the risk/return profile of a product is key.

About half would say an advisor's recommendation is important. By comparison, fees is cited by just one in three.

- ▶ Firms targeting mass-market clients more often say wealth management advisor recommendation is an important criterion for their clients.
- ▶ By contrast, a much higher proportion of wealth management firms targeting high-net-worth clients say "fees" are important in the selection process.

Source: Greenwich Associates
Note: Chart based on 37 respondents.

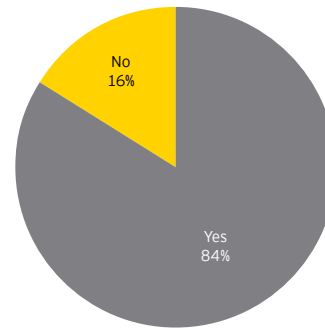
Annual product review

Summary results

Given that the risk/return profile of a product is so important and that firms are seeking to expand their investment product offerings and introduce more third-party product, successful wealth management firms will be forced to ensure products are best of breed.

- ▶ Most wealth management firms in this study reported that they have an annual product review. Nearly all firms that target high-net-worth clients have an annual product review, while a higher proportion of firms that target mass-market clients (31%) say they do not.
- ▶ Nearly 80% believe the annual product review is effective at ensuring that the products they offer have a competitive advantage in the marketplace. Fewer see the process as effective in identifying new products – and just 15% consider the process highly effective – suggesting clear opportunities to identify and develop best practices to ensure they are adding the right products to the platform.
- ▶ Many wealth management firms recognize this and commented on clear opportunities to improve the review process – increasing timeliness, better assessing the competitive landscape and client needs, and increasing transparency and inclusion across functions within the organization.
- ▶ It is interesting that firms targeting the high-net-worth clients (and those with fewer than 100k clients) reported higher effectiveness scores for both ensuring current products have a competitive advantage and identifying new products that will meet client needs.

Does your firm have an annual product review?

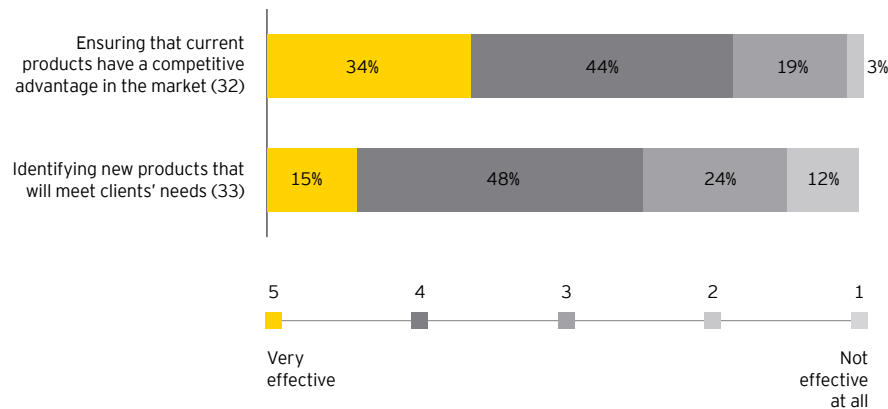


Segment	Base	Yes	No
HNW*	(22)	95%	5%
MM*	(16)	69%	31%

*HNW - high-net-worth; MM - mass-market

Source: Greenwich Associates
Note: Chart based on 38 respondents.

On a 5-point scale, with 5 being “very effective” and 1 being “not effective at all,” how effective is the annual product review process at:



Source: Greenwich Associates
Note: Number in parentheses represents the number of respondents.

Annual product review improvement opportunities

In what ways do you believe your firm's annual product review process can improve?

Selected responses

- ▶ “More **timely feedback** on client's needs. The problem is delays and backups.” (Under 100k, \$50b-\$150b)
- ▶ “It is really more a **function of timeliness** than anything else. It is speed to market – so I would say that the selection process is great – but it is timing – and markets move quickly. Sometimes some investments take much more work to get to market than others.” (Over 100k, over \$150b)
- ▶ “Need to be **less insular** and be out in the **market getting real client feedback**.” (Under 100k, \$1b-\$49b)
- ▶ “Need to be more rigorous about our efforts to **stay on top of what the competitive landscape** is and what other firms are doing or not doing.” (Under 100k, \$1b-\$49b)
- ▶ “There can be a **better assessment of the competitive landscape**.” (Under 100k, \$1b-\$49b)
- ▶ “If we could spend more time on monitoring and have **information on how products have done and see the market environment** to determine if they will continue to underperform or to perform well in the coming year.” (Over 100k, \$50b-\$150b)
- ▶ “I believe there's a need to widen [dissemination] of information and **more transparency to the due diligence process**.” (Over 100k, \$50b-\$150b)
- ▶ “**More transparency across the firm** and greater cross-functional involvement.” (Under 100k, \$50b-\$150b)
- ▶ “The way it could be improved upon is by cutting back on the product development cycle and **having better feedback methods**.” (N/A, N/A)
- ▶ “Ensure that all **cross-functional representatives are involved and engaged** in this process.” (Under 100k, \$1b-\$49b)
- ▶ “**Greater accountability** around the process itself.” (Over 100k, over \$150b)
- ▶ “**Review more frequently and more input from more people**.” (Under 100k, \$50b-\$150b)

Source: Greenwich Associates

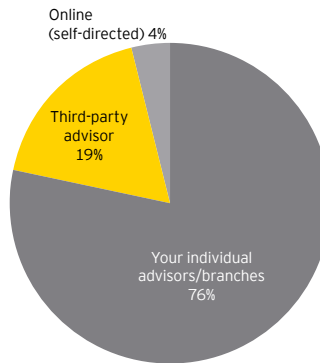


Distribution channels

Summary results

Wealth management advisors are clearly critical to the success of a wealth management firm's growth and operating results. In addition to playing a key role in clients' selection of investment products, advisors (and branches) were also the largest source of new asset inflows – significantly more so than any other channel. Not surprisingly, over 80% of wealth management firms reported that they invested most in the wealth management advisor distribution channel over the past year. None of the wealth management firms reported making the greatest investment in the online self-directed channel.

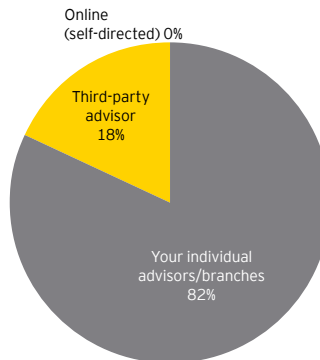
What proportion of new assets were brought in through each of the following distribution channels in the past year?



Source: Greenwich Associates
Note: Chart based on 35 respondents.

Segment	Base	Your individual advisors/ branches	Third-party advisor	Online (self-directed)
\$1b-\$49b	(11)	85%	9%	6%
\$50b-\$150b	(12)	67%	33%	0%
Over \$150b	(11)	79%	14%	7%
High-net-worth	(20)	78%	21%	1%
Mass-market	(15)	75%	17%	8%
Under 100k	(20)	77%	21%	2%
Over 100k	(12)	77%	17%	6%

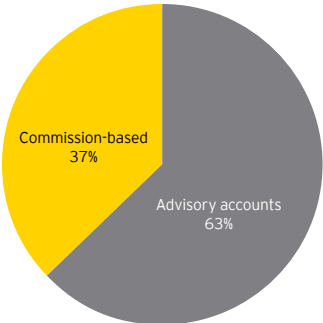
In which of the following distribution channels has your firm made the greatest investment in the past year?



Source: Greenwich Associates
Note: Chart based on 38 respondents.

Advisory vs. commission-based accounts

What proportion of assets under management are in advisory versus commission-based accounts?

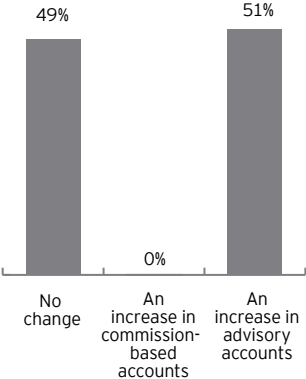


Segment	Base	Advisory accounts	Commission-based
HNW*	(19)	69%	31%
MM*	(16)	57%	43%

*HNW - high-net-worth; MM - mass-market

Source: Greenwich Associates
Note: Chart based on 35 respondents.

How do you anticipate this mix will change in the next year?



Segment	Base	No change	Increase - commission-based	Increase - advisory accounts
HNW*	(20)	55%	0%	45%
MM*	(15)	40%	0%	60%

*HNW - high-net-worth; MM - mass-market

Source: Greenwich Associates
Note: Chart based on 35 respondents.

Summary results

Across all of the wealth management firms we interviewed, investment product professionals reported that an average of two-thirds of assets under management are held within advisory accounts. A higher proportion of assets held in advisory accounts were reported by firms focused on high-net-worth clients as compared to those wealth management firms focused on mass-market clients. All wealth management firms expect an increase in advisory accounts next year.

Primary service channels

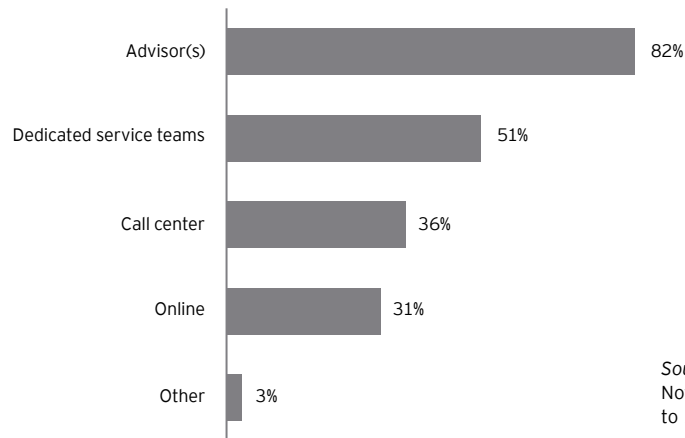
Summary results

Wealth management advisors also remain the primary service channel for clients and the majority of firms expect to continue investing in the advisor channel to assist in servicing clients. Given that reliance on the wealth management advisor for client service is costly – taking them away from asset-gathering activities – wealth management firms are investing in additional service channels as well, including improving online servicing capabilities and leveraging dedicated service teams and call centers.

Investments in the online channel are outpacing call center investments meaningfully, but firms focused on high-net-worth clients are more likely to deploy investments in dedicated service teams.

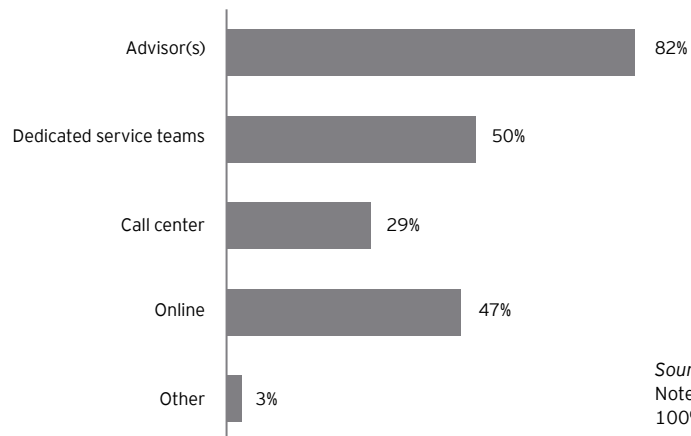
As wealth management firms employ a number of service channels, cross-channel communication and coordination becomes even more important to ensure that clients are serviced in a consistent manner (with escalation if needed) and that important client-related information is shared with the client's wealth management advisor and other members of the wealth management team (e.g., trust officer, investment manager and other product specialists).

Which of the following are the primary service channels through which your firm services end clients?



Source: Greenwich Associates
 Note: Chart based on 39 respondents. Percentages do not total to 100% due to multiple responses by survey respondents.

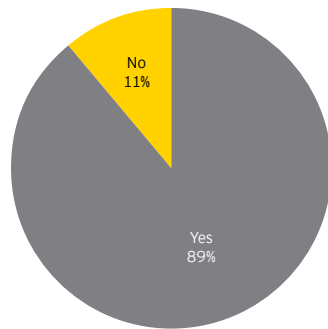
In which of the following servicing channels are you planning to invest in the next year?



Source: Greenwich Associates
 Note: Chart based on 34 respondents. Percentages do not total to 100% due to multiple responses by survey respondents.

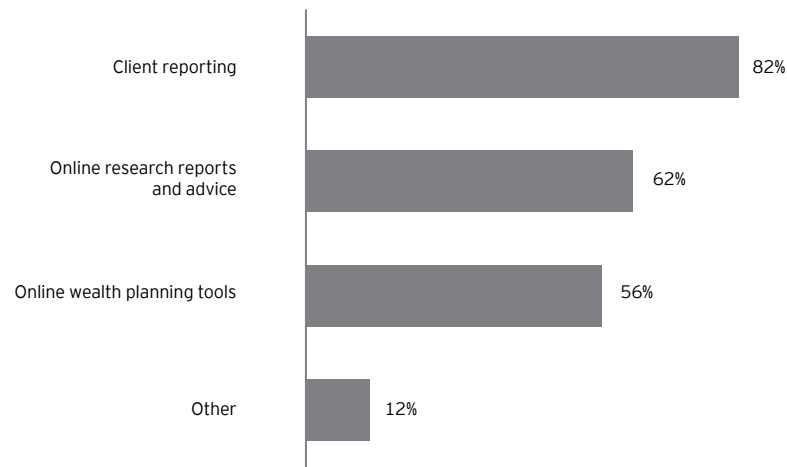
Strategies to improve online capabilities

Is your firm employing strategies to improve its online capabilities for end clients?



Source: Greenwich Associates
Note: Chart based on 38 respondents.

[If yes] Identify the methods your firm is taking to improve this capability?



Source: Greenwich Associates
Note: Chart based on 34 respondents.
Percentages do not total to 100% due to multiple responses by survey respondents.

Summary results

Nearly 90% of wealth management firms are employing strategies to improve online capabilities to help service end clients – more to improve client reporting than for research/advice and wealth planning (though the proportion of firms investing there is not trivial). The investments in client reporting not only improve the client experience, but are clearly important to reduce the administrative burden on the wealth management advisor.

Investments in technology, people and processes

Summary results

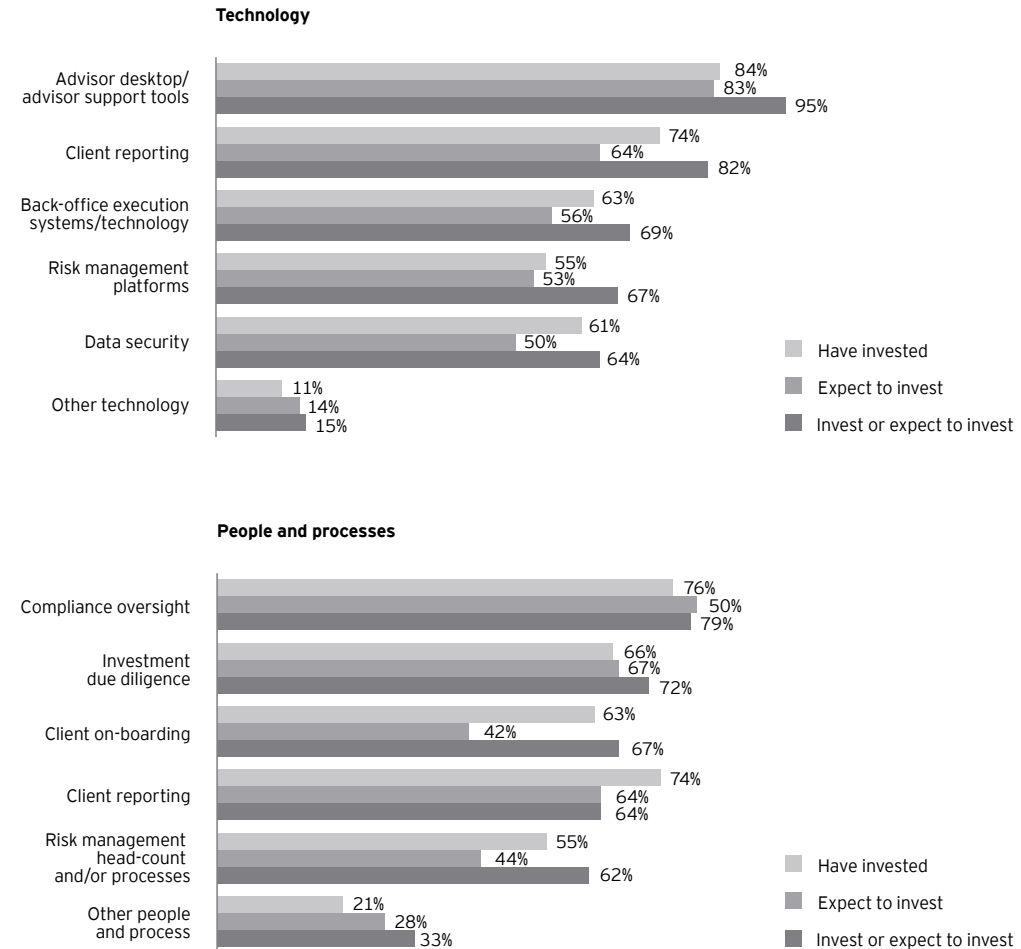
Given the importance of the wealth management advisor in asset gathering, servicing and investment selection, it is not surprising that nearly all firms have invested or expect to invest in technology to support their wealth management advisors. Another 80% have invested in technology to support client reporting.

Understanding that risk and return are key to their clients, compliance oversight and investment due diligence top the list of investments in people and processes.

However, it is clear that wealth management firms are investing across a broad spectrum of technologies, headcount and processes not only to support their product and client strategies, but also to meet new regulatory requirements.

Wealth management firms with over 100k clients report a broad range of areas they have or expect to invest in, including back office execution, client on-boarding and client reporting.

In which of the following areas have you invested in the past year? In which of the following areas do you expect to invest in the next year?



Source: Greenwich Associates

Note: Chart based on 39 respondents. Percentages do not total to 100% due to multiple responses by survey respondents.

Primary drivers for investment

What were the primary drivers for the investments you just described? Please tell me the primary reason(s) you invested or expect to invest, individually. [Advisor desktop/advisor support tools]

Areas of investment (expected and current)	Regulatory compliance	Revenue growth	Cost or operational efficiencies	Improved client experience
Advisor desktop/advisor support tools (38)	34%	71%	84%	71%
Back-office execution systems/technology (30)	37%	30%	90%	60%
Risk management platforms (27)	74%	22%	59%	41%
Client reporting (32)	31%	38%	56%	91%
Data security (26)	65%	8%	73%	35%
Client on-boarding (26)	42%	54%	77%	77%
Investment due diligence (27)	67%	41%	56%	52%
Compliance oversight (29)	86%	7%	55%	34%

50%-65%
 65%-80%
 80% and over

Source: Greenwich Associates
 Note: Number in parentheses represents the number of respondents.

Summary results

Wealth management advisor tools were one of the few areas in which wealth managers invested to support top-line revenue growth – though efficiencies were clearly top of mind, along with improvements to the client experience. Firms targeting largely mass-market clients were somewhat less likely to say they were targeting revenue growth and much more focused on efficiencies and improving client experience.

In fact, improving efficiency seems to have motivated many of the investments in other areas as well – including back-office systems and client on-boarding (which is also motivated by improving client experience), among others. The key driver for investments in client reporting was client experience, followed by efficiency.

The responding wealth management firms also clearly invested across a range of areas to comply with developing regulation – a primary driver for investments in compliance oversight, risk management platforms, investment due diligence and data security.

Those targeting high-net-worth clients were more likely to attribute investments in the due diligence process to growing top-line revenue than those firms targeting primarily mass-market clients – most likely because of the broader range of alternative investments offered to clients and the robustness of the due diligence process that is required.

Changes to mitigate company risk

Summary results

The majority of firms that were interviewed have taken multiple steps to mitigate risk – investing in client investment suitability, investment manager selection due diligence and investment monitoring (performance and risk).

- ▶ Firm that invested in suitability monitoring largely invested in technology – to provide advice and model portfolios and streamline reviews – and reviewed and rewrote client suitability policies and procedures.
- ▶ By contrast, firms improved manager due diligence by adding staff, investing in training, research and governance/oversight.
- ▶ To improve investment monitoring, firms invested in people, processes and technology – adding staff, increasing the frequency of performance reviews and oversight, in addition to risk technology.

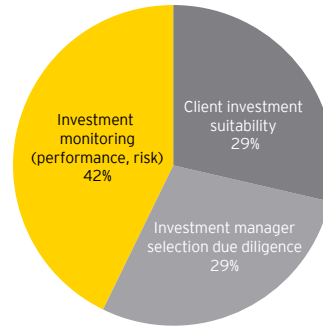
When asked where they plan to make their largest investment to mitigate risks going forward, the highest proportion of wealth management firms said they expect to invest in monitoring investments, with smaller proportions saying they intend to invest most in suitability and manager due diligence. These investments certainly mitigate risk, but given the importance of risk/return to the selection of client investments, investment monitoring also can provide a strategic advantage.

We did note key differences in future investment based on the number of clients and target clients. Wealth managers with under 100k clients and those targeting the high-net-worth client are more likely to invest in investment manager selection due diligence – possibly because their investment was lagging – while wealth managers with more than 100k clients and serving the mass market are clearly focused on client suitability.

Not surprisingly, when asked to prioritize investments for their alternative investment platforms specifically, firms were far more likely to say they were investing in manager due diligence going forward.

In which area do you expect to invest the most?

Overall

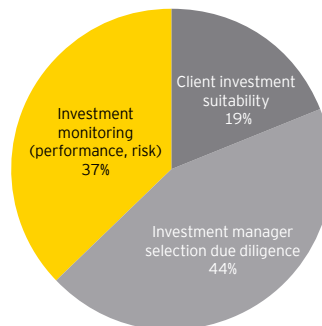


Source: Greenwich Associates
Note: Chart based on 35 respondents.

Segment	Base	Investment monitoring	Investment manager due diligence	Client investment suitability
HNW*	(20)	40%	45%	15%
MM*	(15)	47%	7%	47%

*HNW - high-net-worth; MM - mass market

Alternative investments



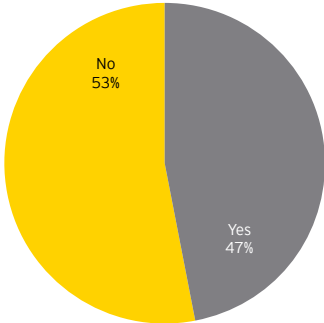
Source: Greenwich Associates
Note: Chart based on 27 respondents.

Segment	Base	Investment monitoring	Investment manager due diligence	Client investment suitability
HNW*	(17)	29%	53%	20%
MM*	(10)	50%	30%	43%

*HNW - high-net-worth; MM - mass market

Transparency in manager due diligence process

In the past year, have you increased transparency to clients in the investment manager selection process?



Source: Greenwich Associates
Note: Chart based on 38 respondents.

If yes, how?

Selected responses

- ▶ “More conversation about how the process works and proactive with clients.” (Under 100k, \$50b-\$150b)
- ▶ “We have both client reporting and increased transparency. More aggressive proposal documentation.” (Under 100k, \$1b-\$49b)
- ▶ “Improved and more detailed client reporting.” (Over 100k, over \$150b)
- ▶ “Through training, client deliverables, and improved client facing communications.” (Over 100k, \$50b-\$150b)
- ▶ “We created a brochure to increase transparency.” (Over 100k, \$50b-\$150b)
- ▶ “Created and issued a series of fact sheets and included them in our client reporting program.” (Under 100k, \$1b-\$49b)
- ▶ “Front office people discuss with clients the process, including the disclosure of the consulting firm we use in our selection process.” (Over 100k, \$50b-\$150b)
- ▶ “Increased disclosures and created more extensive risk profiles.” (Over 100k, \$50b-\$150b)

Source: Greenwich Associates

Summary results

Overall, fewer than half of the wealth managers we interviewed said they had increased transparency into the investment manager selection process over the past year. The largest firms – those with more than \$150b in assets under management – were least likely to have offered additional transparency into the process, with more than 80% saying they have not made any changes.

Those that do offer more transparency said they improved client marketing materials and have been educating clients through direct conversations about the due diligence process.

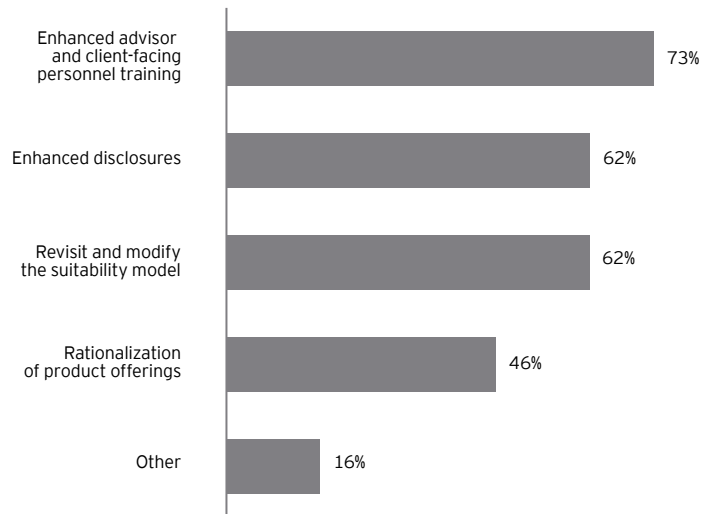
Plans for adapting to the new fiduciary standard

Summary results

Wealth managers have been proactive in multiple areas as they adapt to the new fiduciary standard – investing in additional advisor training and enhancing disclosures and processes for client suitability. Interestingly, far fewer said that they were rationalizing their product offerings and limiting their product range.

Those targeting the mass market are much more apt (73% versus 55% for those targeting high-net-worth clients) to revisit their suitability processes, but little difference in expectations was evident elsewhere.

How is your firm planning to adapt to the new “fiduciary standard”?



Segment	Base	Enhanced advisor and client-facing personnel training	Enhanced disclosures	Revisit and modify suitability model	Rationalization of product offerings	Other
HNW*	(22)	73%	64%	55%	45%	14%
MM*	(15)	73%	60%	73%	47%	20%

*HNW - high-net-worth; MM - mass-market

Selected responses

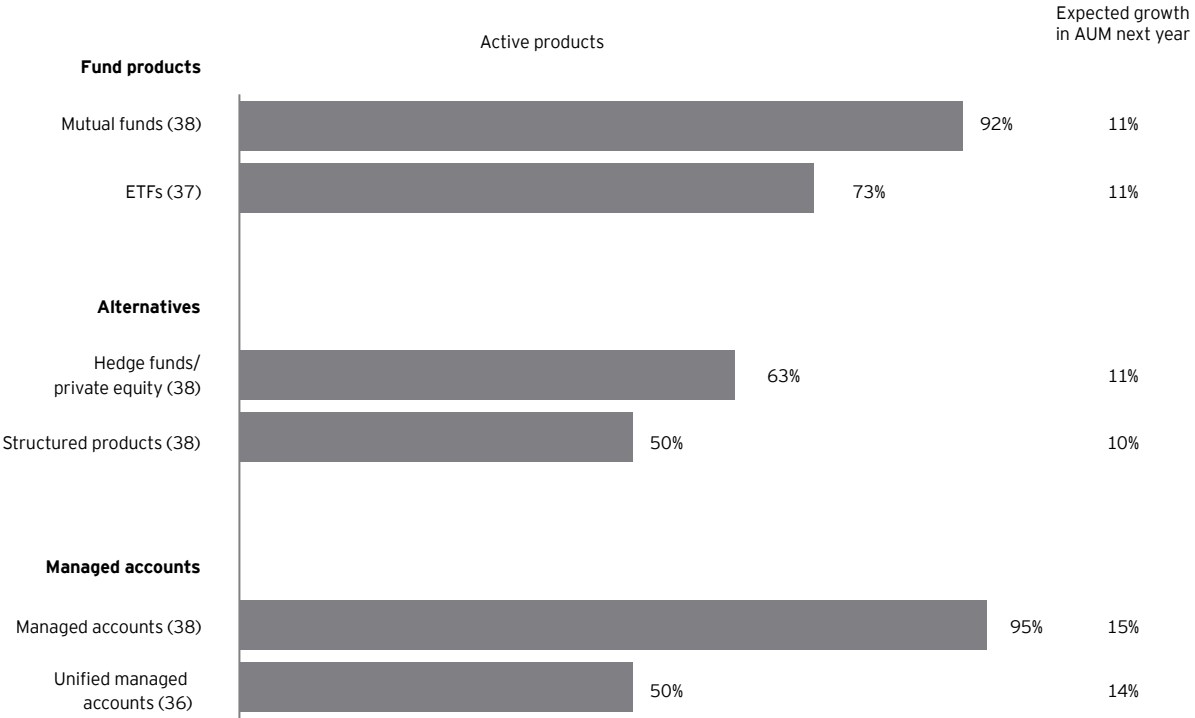
- ▶ “Making sure we have the proper disclosure.” (Over 100k, \$50b-\$150b)
- ▶ “Investor education and actively work with lawmakers and regulators to define specific fiduciary standards.” (Under 100k, \$1b-\$49b)
- ▶ “We are actively involved in discussions with our SRO. It is still an evolving piece of legislation. It hasn’t been fully defined yet. We are engaged and involved and working to help shape what that eventual policy looks like.” (Over 100k, over \$150b)
- ▶ “New suitability rules currently under review.” (Under 100k, \$50b-\$150b)
- ▶ “Scenario planning.” (Over 100k, over \$150b)
- ▶ “We feel we meet the fiduciary standard.” (Under 100k, \$1b-\$49b)

Source: Greenwich Associates

Note: Chart based on 37 respondents. Percentages do not total to 100% due to multiple responses by survey respondents.

Product demand

In each of the following individual product categories, please describe: a. Whether you actively sell the product? [If yes] In each of the following individual product categories, please identify: b. Your firm's expected inflow of assets under management, excluding annual return, for the next year.



Summary results

As wealth management firms consider expanding their product offerings, we believe it is important to have a benchmark for which products firms are actively selling and their growth expectations.

Nearly all of the wealth management firms we interviewed offer mutual funds and three in four offer ETFs. The disparity between ETFs and mutual funds sold, especially in light of the lower fee structure, may be a reflection of the maturity of the two markets. Though demand for ETFs among reporting firms focused on mass-market and high-net-worth clients is not materially different, those targeting mass-market clients are far more bullish about the growth of AUM in ETFs than those targeting high-net-worth clients.

Two in three wealth managers offer hedge funds/private equity, and about half offer structured products. The demand is greater among those firms targeting high-net-worth clients, and their outlook for asset growth aligns – those targeting high-net-worth clients are significantly more optimistic about growth in AUMs for alternative investments than their mass-market counterparts.

Nearly all wealth management firms offer managed accounts, but just half offer unified managed accounts. For those firms that actively sell managed accounts, nearly 40% of the wealth management firms expect annual growth in AUMs to exceed 15%.

Source: Greenwich Associates
 Note: Number in parentheses represents the number of respondents.

Product demand – managed accounts

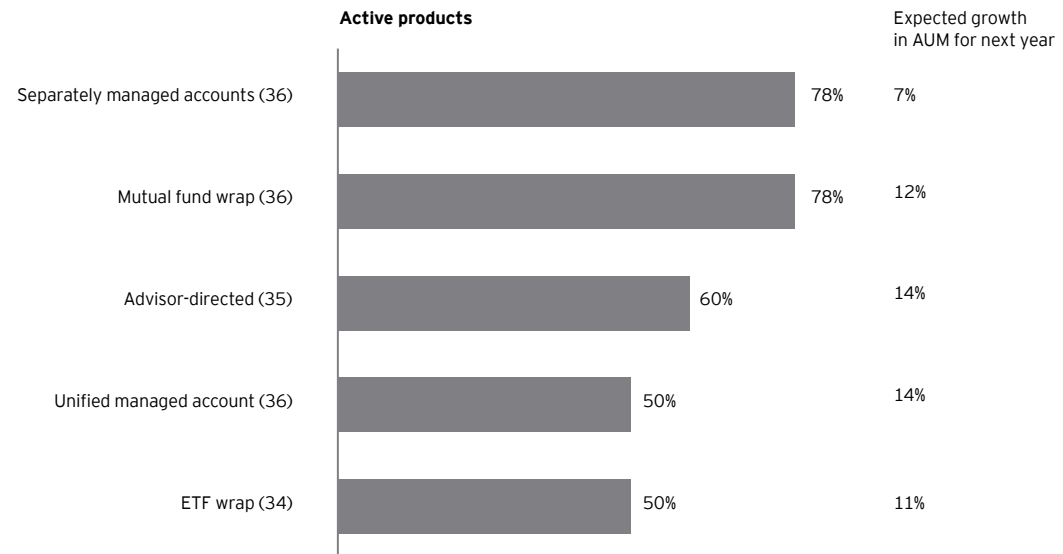
Summary results

Overall, separately managed and mutual fund wrap accounts are the two most actively sold managed accounts.

Investment professionals targeting high-net-worth clients are significantly more optimistic about AUM growth in unified managed accounts, advisor-directed managed accounts and ETF wrap accounts. Those wealth management firms targeting the mass-market clients are much more optimistic about growth of mutual fund wrap accounts.

Wealth management firms expect to improve client reporting and manager selection for managed accounts in the coming year.

In each of the following individual product categories, please tell us: a. Whether you actively sell the product? [If yes] In each of the following individual product categories, please tell us: b. Your firm's expected inflow of assets under management, excluding annual return, for the next year?



Source: Greenwich Associates

Note: Number in parentheses represents the number of respondents.

Anticipated enhancements to managed accounts

What enhancements to the managed accounts do you envision for the coming year?

Selected responses

- ▶ “**Improve manager selection and turnkey marketing support**, the support we supply to our customers.” (Over 100k, \$50b-\$150b)
- ▶ “I think it would be **improved manager selection and client support/reporting**.” (Under 100k, \$1b-\$49b)
- ▶ “I think the enhancements would be **improved manager selection**. And I also think there will be stronger portfolio construction tools so when you use multiple managers you can put them together.” (Over 100k, over \$150b)
- ▶ “I think it will be in **reporting** and increased **manager selection**.” (Under 100k, \$1b-\$49b)
- ▶ “Improved **reporting, manager section** process, and better **client support**. We are always striving to improve the existing platform.” (Over 100k, \$50b-\$150b)
- ▶ “Increased **manager selection**, increased operations flexibility for different clients.” (Under 100k, \$50b-\$150b)
- ▶ “It would be in **manager selection and client reporting**.” (N/A, N/A)
- ▶ “Free up private banker with an alternative service model, improve the **selection of manager** process, and facilitate the **aggregated reporting** of all holdings for clients.” (Under 100k, \$1b-\$49b)
- ▶ “Improvements in **client support and reporting**.” (Under 100k, \$50b-\$150b)
- ▶ “Improvements to **client reporting** and improved client model, offering a more comprehensive wealth management profile.” (Under 100k, \$1b-\$49b)
- ▶ “Operational aspects of the process: **reporting, account openings, transferring and investment selection**.” (Over 100k, \$50b-\$150b)
- ▶ “Improved client efficiencies and **improved client statements**, also more asset capabilities and a more **enhanced client service model**.” (Over 100k, \$50b-\$150b)

Source: Greenwich Associates



Product demand – unified managed household accounts

Summary results

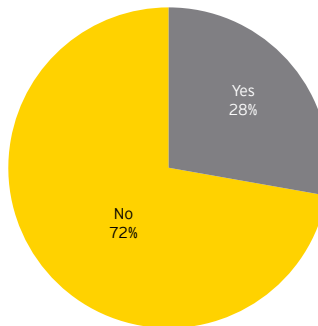
Only 28% of the wealth management firms interviewed offer unified managed household accounts (UMHAs) and there were no major distinctions across the various segment types. Wealth management firms of larger scale were slightly more prone to offer UMHAs than their smaller counterparts. Also, wealth management firms targeting the high-net-worth client were slightly more prone to offer UMHAs than their mass-market counterparts.

Because of the relative newness of this product, we did note varying definitions of the UMHAs and a lack of consistency with respect to product features.

Those that do offer these accounts find client reporting, portfolio construction and operations/supporting infrastructure to be the most challenging aspect of this product.

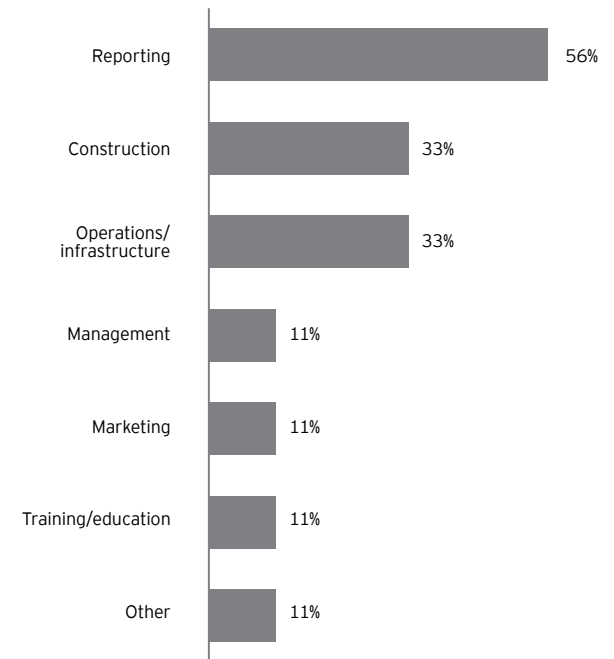
Firms not currently offering this product may need to evaluate their competitive positions. Capturing additional AUMs, particularly as a result of the demographic shift in wealth occurring in the US, as well as taking advantage of improvements to the client experience should be balanced with the inherent challenges of this offering.

Does your firm offer unified managed household accounts (UMHAs)?



Source: Greenwich Associates
Note: Chart based on 36 respondents.

Which one or two aspects of UMHAs are most challenging?

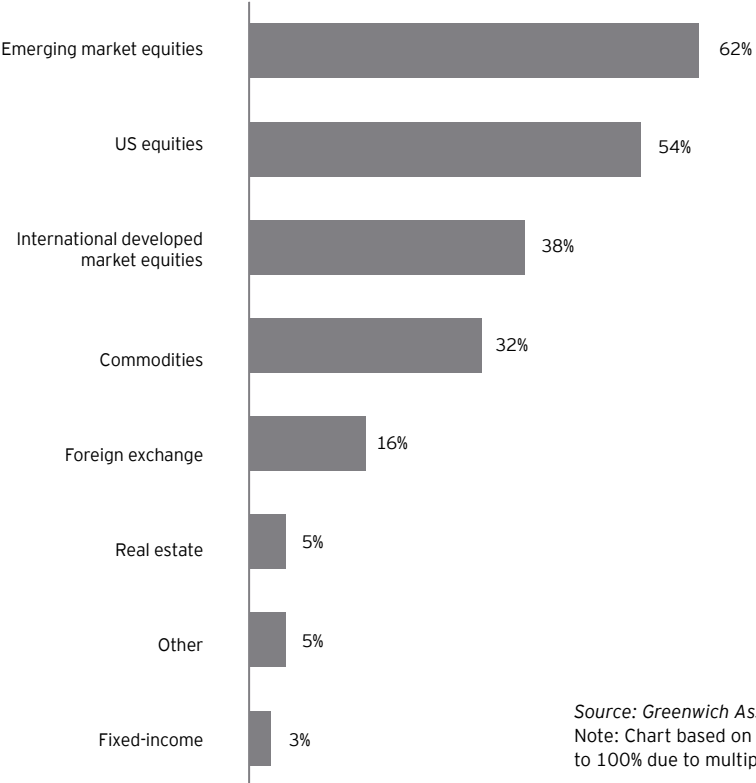


Source: Greenwich Associates
Note: Chart based on 9 respondents. Percentages do not total to 100% due to multiple responses by survey respondents.

Just one in four wealth managers surveyed offers a unified managed household account. Reporting is viewed most commonly as the most challenging aspect of UMHAs.

Best-performing asset classes

Based on your capital market assumptions, what do you expect will be the best-performing asset classes over the next two years?

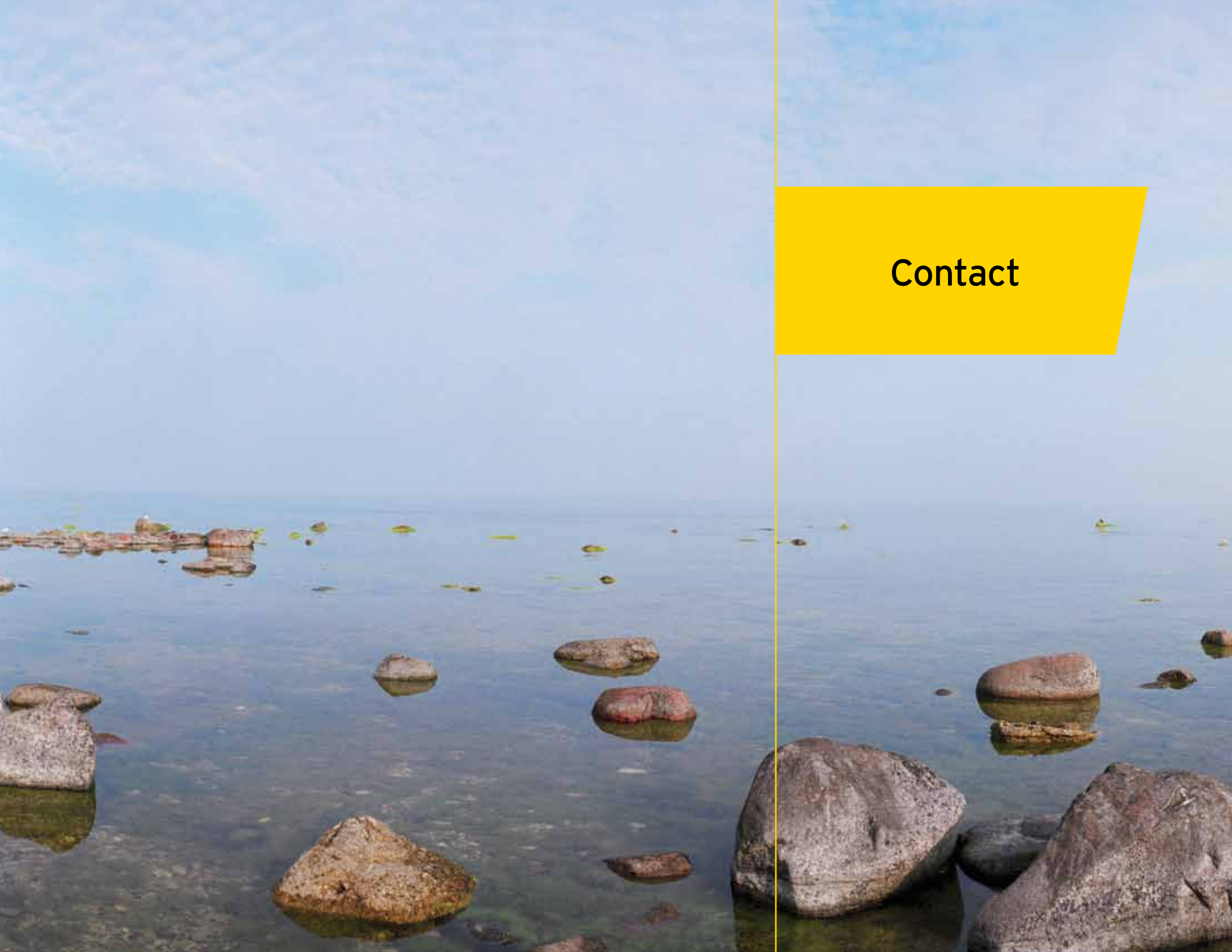


Source: Greenwich Associates
Note: Chart based on 37 respondents. Percentages do not total to 100% due to multiple responses by survey respondents.


Summary results

Product strategy and product management professionals at leading wealth management firms expect emerging market equities and US equities to be the best-performing asset classes over the next two years, and the outlook is fairly consistent across small and large firms.

More firms focused on the mass-market client segment reported that they expect international developed market equities to be among the best-performing asset classes than firms focused on high-net-worth clients. Investment professionals targeting high-net-worth clients selected emerging market equities as the top-performing asset class over the next two years, while those targeting mass-market clients selected US equities.



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