

WHITE PAPER

Next: The Wealth Management Firm of the Future

Organizational design, structure and strategies
to power future growth



Staffing + Structure: The Secrets to Success

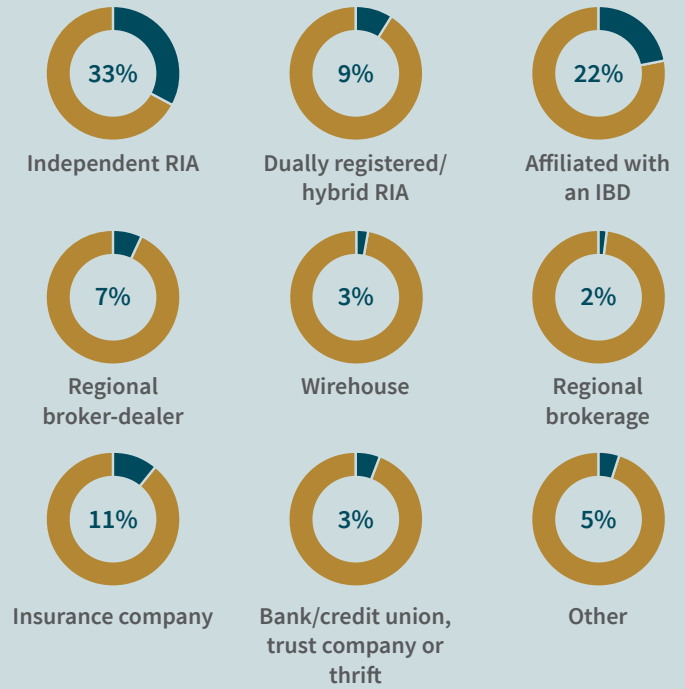
The way a wealth management firm or practice is organized can significantly affect its ability to serve clients and grow. To explore how firms and practices of different types are organized, Wealth Management IQ in partnership with BNY Mellon | Pershing, conducted a survey of advisors across industry channels. This white paper is based on the results of that research and is the latest in a series focusing on the future of the wealth management business. Previous white papers have looked at issues regarding growth, compensation, job functions, technology and marketing. The findings of these studies are intended to inform the decision-making of wealth management firm leaders in ways that will encourage business success.

A closer look at the study's findings and their implications are presented in the following pages.

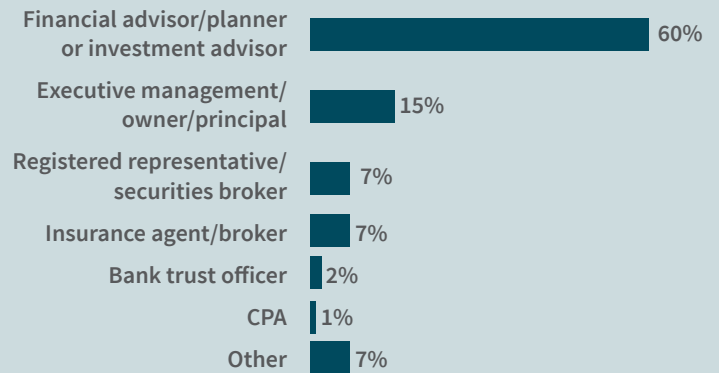


Respondents at a Glance

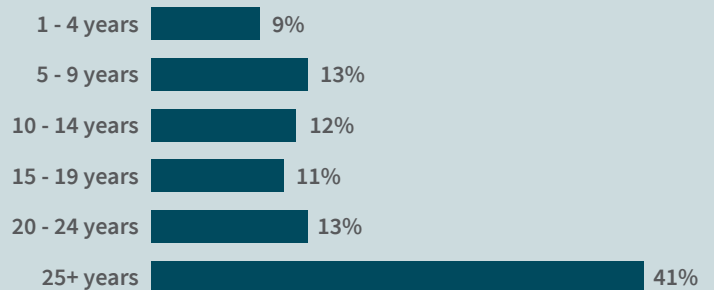
Respondent's Firm Type



Respondent's Primary Role



Tenure as a Financial Services Professional



Solos, Ensembles and Teams

The way individual advisors and firms define their business structure may differ from generally accepted industry definitions for firm and practice types. For the most part, there is agreement that wealth management firms and practices can be characterized as being organized around solo practitioners, who often work with one or more people acting in an administrative capacity or as ensemble practices or businesses, organized around a collection of solo practitioners and assistants who rely on the work of a core group of other personnel in the area of operations, research, planning and marketing and technology, for example.

The third firm of organization is built around a robust team structure in which a group of advisors, planners, paraplanners, researchers and others have defined and specialized job functions and collectively serve a designated number of clients. While the first two organizational structures are common at independent broker-dealers and at regional brokerage and hybrid firms, the latter structure is more prevalent at registered investment advisory firms, where the client is generally seen as a client of a firm, not of a particular advisor or group of advisors, and at wirehouses, which have been encouraging teams in order to provide the greater level of service more affluent clients are demanding.

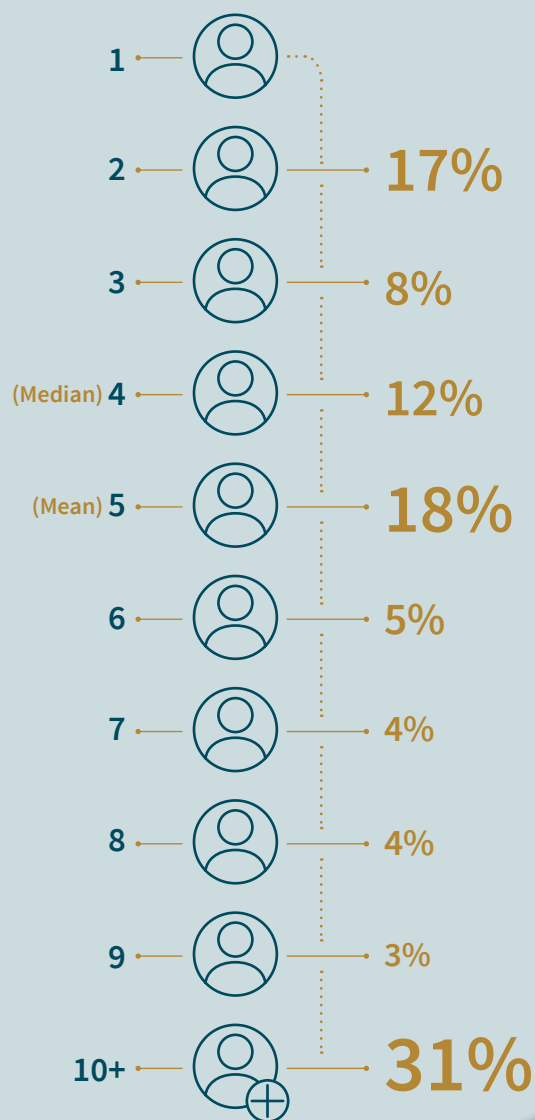
When asked whether their firm is organized into teams, most respondents answered affirmatively, with responses attributable in part to the tendency of advisors to consider any organizational arrangement a team if it involves working with at least one other person.

When respondents who said they were part of a team were asked how many people are on that team, the answers reveal that the “teams” often are more ensemble practices of an advisor or advisors working with one or more administrative staff members.

Is your firm organized into teams?

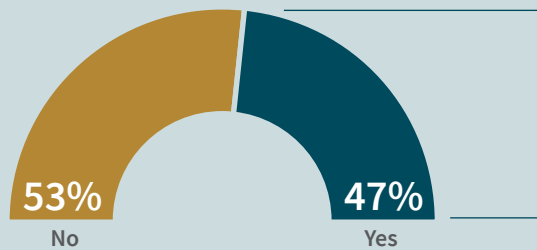


How many people in total are on your team?

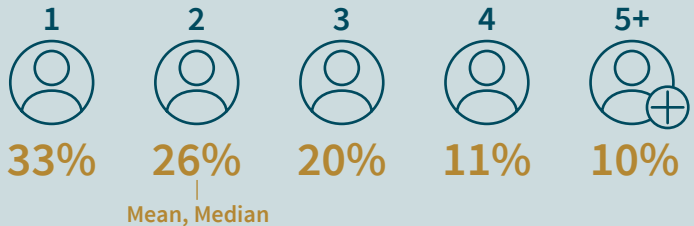


The prevalence of organizational forms that are either ensemble-based or solo advisor-based is corroborated when advisors who said they do not work as part of a team were asked if they work in partnership with other advisors. Of the 45% of respondents who said they do not work as part of a team, a majority — 53% — say they work alone, but the remaining 47% say they work with one or more other advisors. The average number of advisors in such an ensemble practice is two.

Do you work in partnership with one or more other advisors?

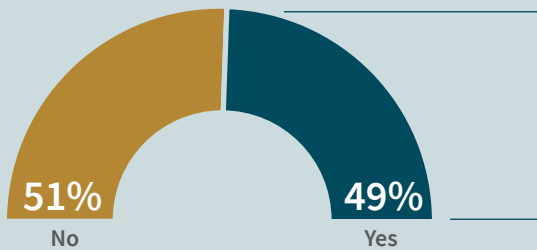


How many advisors?

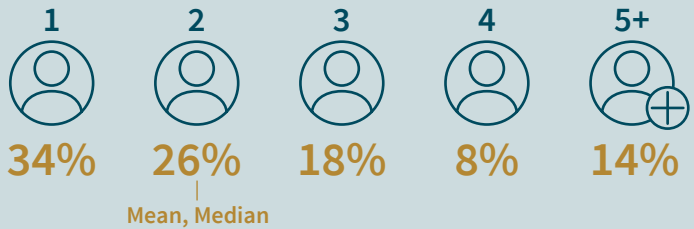


Even in ensemble practices, about half of respondents said they do not employ additional personnel, and of those practices that do, the average number of such personnel is only two. RIA firms and wirehouses, which are more likely than firms in other channels to be organized into teams, tend to employ more personnel, with almost one quarter of RIA firms responding saying they employ five or more additional staff.

Do you individually, or with your partner(s), employ additional personnel?

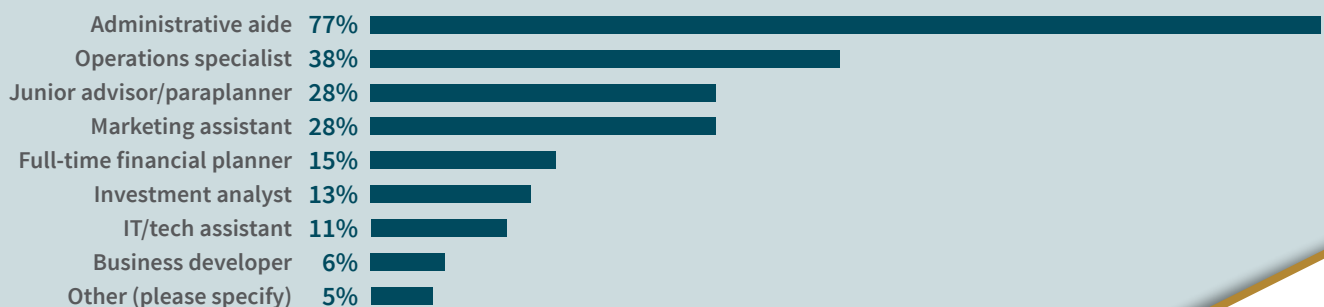


How many additional personnel?



When asked about the jobs these additional personnel perform, administrative aide and operations specialist were the top job descriptions across all firm types, with specialized roles including junior advisor/paraplanner more common at RIA firms and marketing assistant more common at wirehouses than at other firm types.

What function(s) do these personnel perform? (Select up to three.)



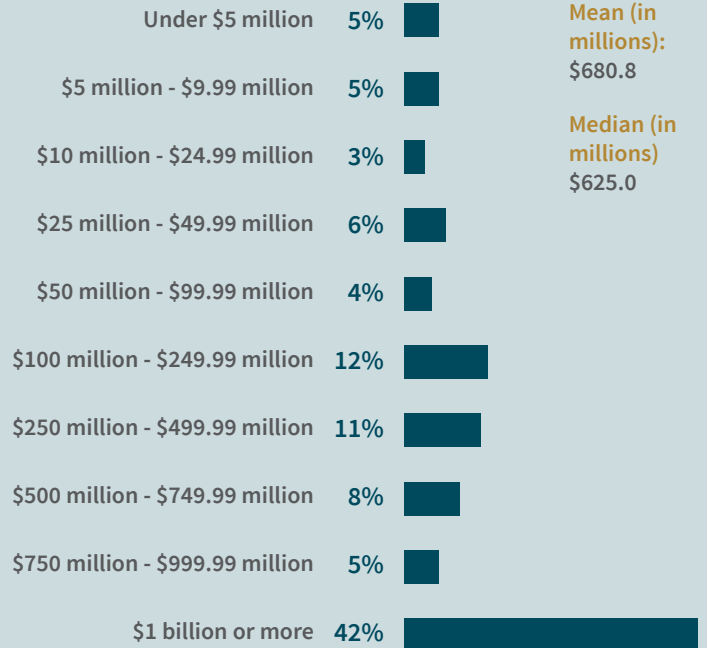
Teaming for Results

Does teaming result in greater assets under management or do greater assets under management encourage teaming? Regardless of the answer to that chicken-and-egg question, responses from survey participants indicate that teaming tends to result in advisory firms and practices that report greater assets under management.

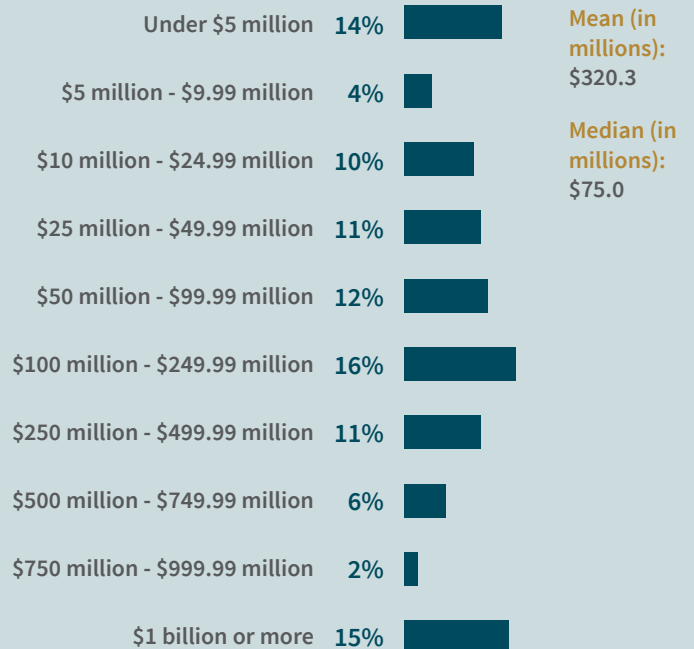
Respondents at firms that are organized into teams, report average AUM of almost \$681 million, with a median of \$625 million. The largest single group of firms organized into teams — 42% — reported AUM in excess of \$1 billion.



AUM at firms organized into teams



AUM at firms not organized into teams



In contrast, firms and practices that are not organized into teams reported mean AUM of \$320 million, with median AUM of just \$75 million. Similarly, wealth management firms and practices organized into teams tend to serve more affluent households. The mean AUM of households served at such firms is \$3.1 million and the median, \$1.3 million. At firms with ensemble and solo advisors, the mean household AUM is \$1.9 million and the median just \$800,000. Teamed advisory firms serve a mean of 178 households, while ensembles and solos serve a mean of 151 households.

Typical AUM of households served by advisory teams



Typical AUM of households served by ensemble/solo advisors



Regardless of organization type, however, expectations for business growth in 2023 are similar. Firms organized into teams expect their AUM to increase by 7.5%, on average, this year while ensemble and solo advisory firms expect AUM growth to be 7.8%, on average.

Firms that embrace teaming are typically larger firms that have the resources to invest in additional support staff – and those investments often translate to accelerated growth rates over time. In many team structures, a combination of service and support advisors are supporting a lead advisor. This creates capacity for the lead advisors to spend less time on client preparation, back office and administrative tasks and devote a more significant portion of their time in a business development/relationship management role. In addition to providing clients with better, more efficient access to a firm, the team structure allows the most senior and seasoned professionals within an advisory firm to focus on acquiring new clients and deepening relationships with existing clients. In the medical field, it is the equivalent to the relationship between doctors and nurses: The increased number of nurses and nurse practitioners allows a doctor to see more patients in a given day and maximizes the time a doctor spends with patients by eliminating the need for basic information gathering and testing, for example. This dynamic, when applied to wealth management, has allowed the largest firms to get even larger – at the same time it provides clients with a deeper support system and more meaningful interactions with key decision-makers.

Takeaways and Suggestions

- While there is no single organizational form for wealth management firms or practices that is optimal, it is clear that a team structure is correlated to having greater assets under management and more affluent clients.
- At some point in their life cycle, firms or practices organized as solo or ensemble structures may wish to consider a transition to teaming. The work of making a successful transition is outside the scope of this research, but other studies have indicated that it requires a thorough examination of business workflows, a greater emphasis on process and typically a substantial investment in people and systems.
- Because of their process orientation and more institutional nature, teamed structures — particularly in the RIA and hybrid channels — also tend to create greater enterprise value than solo or ensemble organizations. That can translate into enhanced wealth-building potential for owners and senior members of the team.



About the Survey

OVERVIEW

Methodology, data collection and analysis by Wealth Management IQ on behalf of BNY Mellon | Pershing. Data collected March 10 - 21, 2023. Methodology conforms to accepted marketing research methods, practices and procedures.

METHODOLOGY

Beginning on March 10, 2023, WealthManagement.com emailed invitations to participate in an online survey to active users. By March 21, 2023, WealthManagement.com had received 442 completed responses.

RESPONSE MOTIVATION

To encourage prompt response and increase the response rate overall, email invitations and survey materials were branded with the WealthManagement.com name and logo to capitalize on user affinity for this valued brand. The first 100 respondents to complete the survey were afforded the opportunity to receive a \$10 Starbucks gift card.