

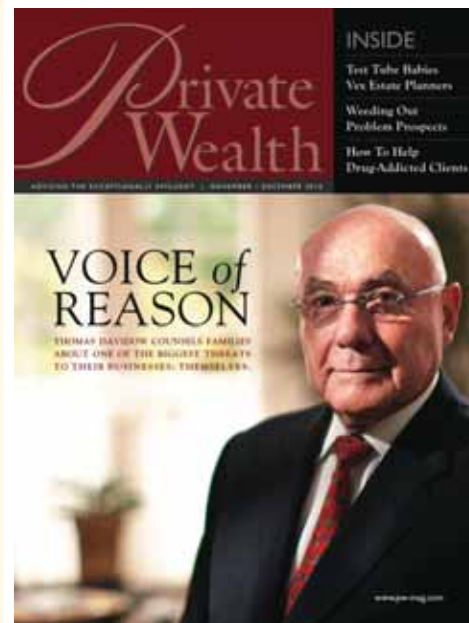


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# INTRODUCTION & INDUSTRY COMMENTARY



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**Winter 2010 Webinar**

***BUILDING YOUR WEALTH MANAGEMENT  
PRACTICE:  
DO YOU HAVE WHAT IT TAKES?***

**Outfitters to Enterprising Financial Advisors**



## ➤ Agenda

- ✓ Review of current competitive landscape
- ✓ Let's look at your options
- ✓ Tools available to help you grow
- ✓ Where do we go from here?
- ✓ Q&A



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➤ The events of 2008 changed the perception of due diligence:

- ✓ Increased *scrutiny*
- ✓ Increased *oversight*
- ✓ Increased *requirements*
- ✓ Increased *fiduciary responsibility*
- ✓ Increased *liability*
- ✓ Increased *accountability*
- ✓ Increased *resource requirements*

➔ **INCREASED COST**



➤ What Investors are Really Thinking...

- ✓ “Prove to me you are not Bernie”
- ✓ “I lost money AND I underperformed my benchmarks...*thanks*”
- ✓ “I’m tired of hearing you say invest for the long term – the short term is killing me”

➤ HNW Wealth Advisors Need Support in Delivering the Appropriate Solution

- ✓ To rebuild client **trust**
- ✓ To price their services so that there is an **alignment of interests**
- ✓ To **collaborate** effectively with clients



## IBM interviewed 1,300 investors with at least \$500,000 or more in investable assets – in JANUARY 2008

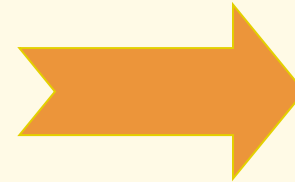
- “Would you recommend your advisor to your friends and family?”
- “Would you go to your advisor for a new product or service?”
- “Would you switch advisors if a competitor offered an attractive product or service?”

\* “Building Client Advocacy: New Opportunities for Wealth Management Firms” report released today by IBM Global Business Services of New York, 2008 (<http://www-935.ibm.com/services/us/gbs/bus/pdf/gbw03021-usen-02-advocacy-wm.pdf>)



## Responses about *wealth managers*:

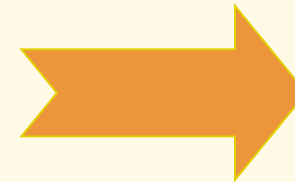
- ✓ Antagonistic: 19%
- ✓ Apathetic: 38%
- ✓ Advocates: 43%



57% neutral  
to negative

## Responses about *bankers*:

- ✓ Antagonistic: 37%
- ✓ Apathetic: 39%
- ✓ Advocates: 24%



76% neutral  
to negative

**This was BEFORE the market collapse in 2008!**



- You must offer a ***differentiated*** investment solution
  - ✓ Thoughtful and forward-looking asset allocation
  - ✓ Customized portfolio construction
  - ✓ True open architecture manager selection
  - ✓ Integrated wealth planning
  - ✓ Tax-effective portfolios
  - ✓ Appropriate use of alternative investments



## ➤ What is a TAMP?

- ✓ “A TAMP...provides an advisor with a platform offering a suite of functionality, including manager research and monitoring, fund analytics, asset allocation modeling, and back office support for trade execution, rebalancing, and administration.”<sup>1</sup>
- ✓ Assets placed with TAMPs by independent advisors have exceeded \$255 billion, up 100% since 1997.<sup>2</sup>

- 1.) “Freedom Through Independence: Outsourcing your Investment Research” report released Advisor Perspectives, 2010 ([http://www.advisorperspectives.com/newsletters08/Freedom\\_Though\\_Independence\\_Outsourcing\\_your\\_Investment\\_Research.html](http://www.advisorperspectives.com/newsletters08/Freedom_Though_Independence_Outsourcing_your_Investment_Research.html))
- 2.) “Tap Into the right TAMP” report released to Forbes by Tiburon Strategic Advisors of San Francisco, 2009 (<http://www.forbes.com/2010/03/12/turnkey-asset-management-financial-advisor-network-brokerage.html>)



➤ **Advantages of a TAMP**

- ✓ Allow for rapid start-up
- ✓ Low upfront costs
- ✓ Efficient implementation
- ✓ Ease of Administration

➤ **However, these advantages do not come without a cost...**

- ✓ Lack of control over the investment strategy
- ✓ Lack of true customization and lack of transparency on held away assets
- ✓ Limit on the range of investment vehicles
- ✓ Significant overlap in managers and products between providers



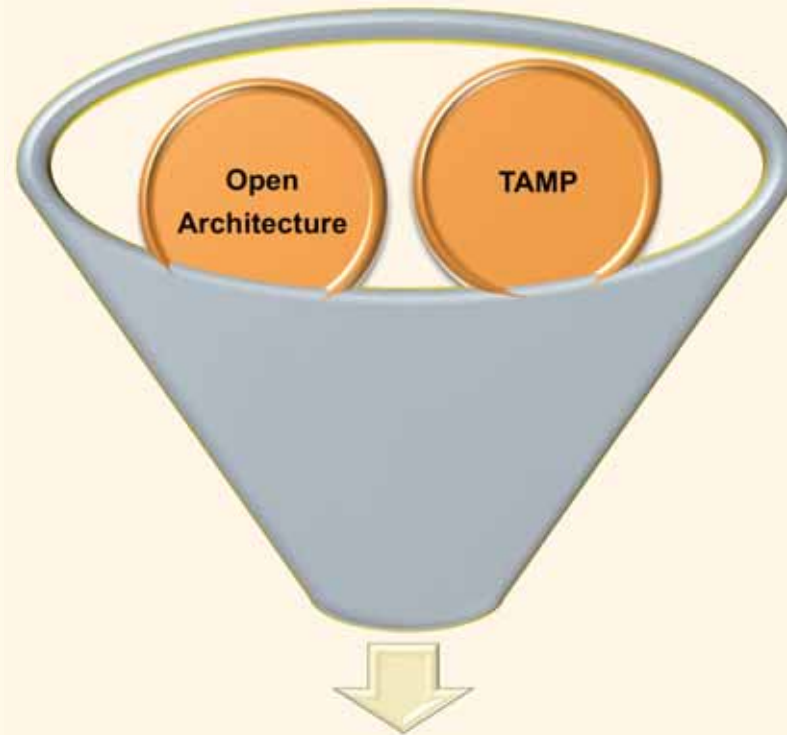
- **Open Architecture - Benefits**
  - ✓ Greater Choice of Investment Implementation
  - ✓ Less use of Proprietary products
  - ✓ Greater Emphasis on manager Quality – Not Scale
  - ✓ Allows for increased differentiation
  - ✓ Successful in attracting larger HNW accounts
  
- **It also has some drawbacks...**
  - ✓ Lack of Turnkey operation
  - ✓ Additional administrative work

**BUT THINGS HAVE CHANGED**



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# THINGS HAVE CHANGED...ITS TIME TO UPDATE MY CLIENT OFFERING



***New Category of  
Customized Wealth  
Management Solutions***



Asset Allocation

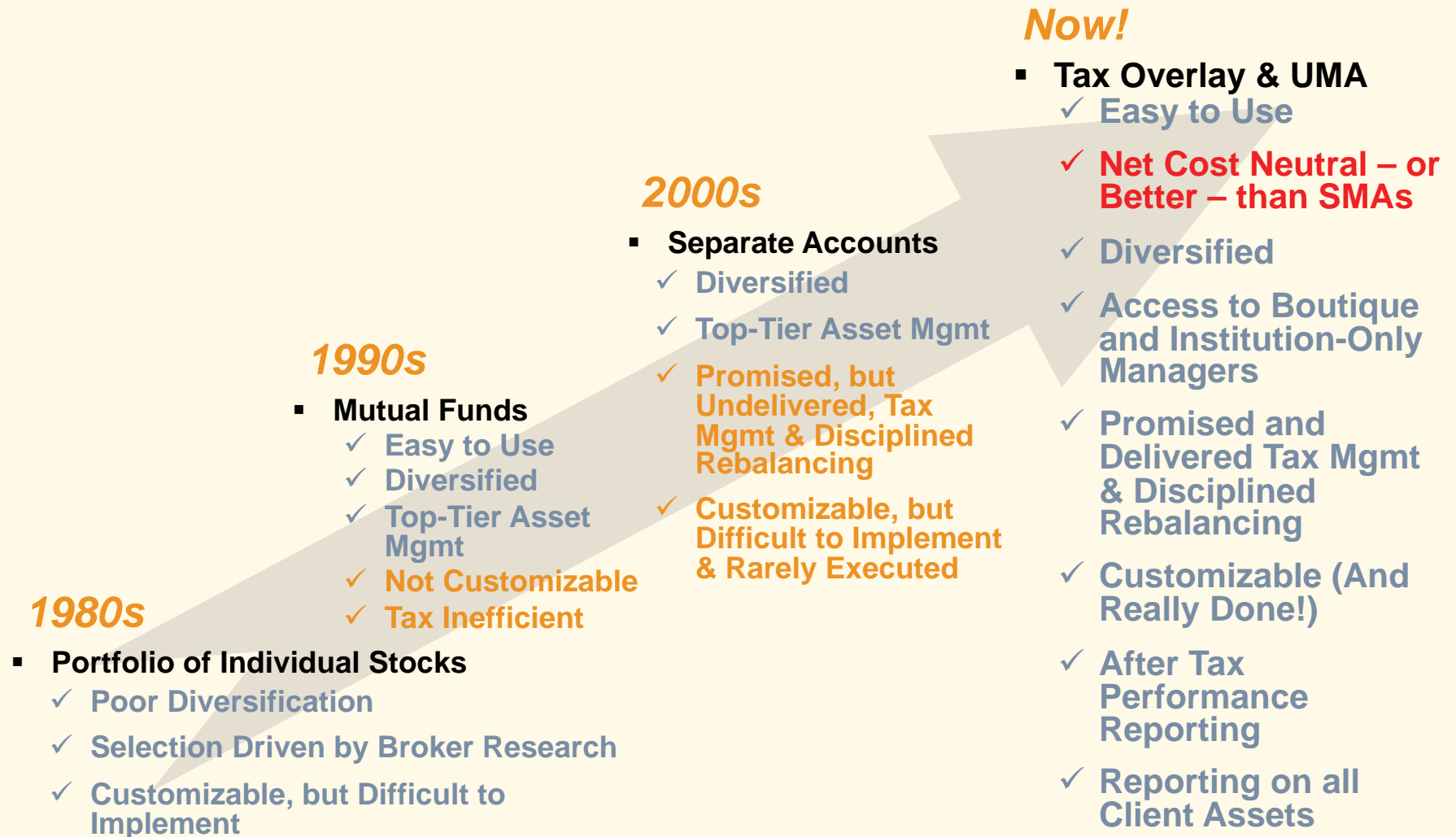
- Investment Policy
- Diversification
- Optimization
- Portfolio Construction
- *Open Architecture Manager Search & Selection*
- Traditional & Alternative Investment Strategies
- Incorporation of your Manager preferences, including proprietary investment strategies

Asset Location

- Choice of Investment Entity
- Estate Planning
- Qualified Accounts
- Transfer and Income Tax Planning
- *Your Choice of Custodian*

Goals-Based Investment Planning

- Lifestyle / Cash Flow Requirements
- Inheritance / Dynasty Goals
- Philanthropic Goals
- Risk Tolerance
- Emotional / Behavioral Factors





Investment Philosophy

- Long-Term Horizon
- Diversification
- Portfolio Construction
- Strategic Rebalancing
- Core-Satellite Portfolios



Asset Strategies

- Tax-Deferred Investment Entities
- Estate Planning
- Transfer & Income Tax Planning
- Philanthropy
- Concentrated Wealth Strategies

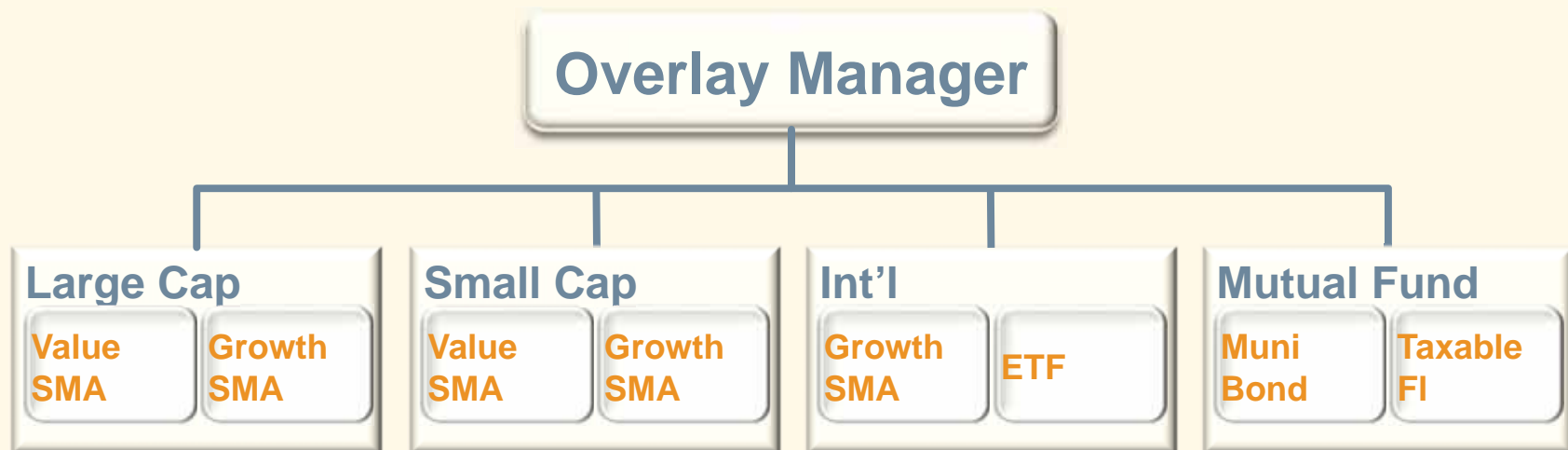
Tax-Efficient Investing

- Tax-Enhanced Indexing
- Tax Loss Harvesting / ETFs for Rebalancing
- Concentrated Holdings & Low Turnover
- ***Unified Managed Accounts***



➤ **Overlay Manager**

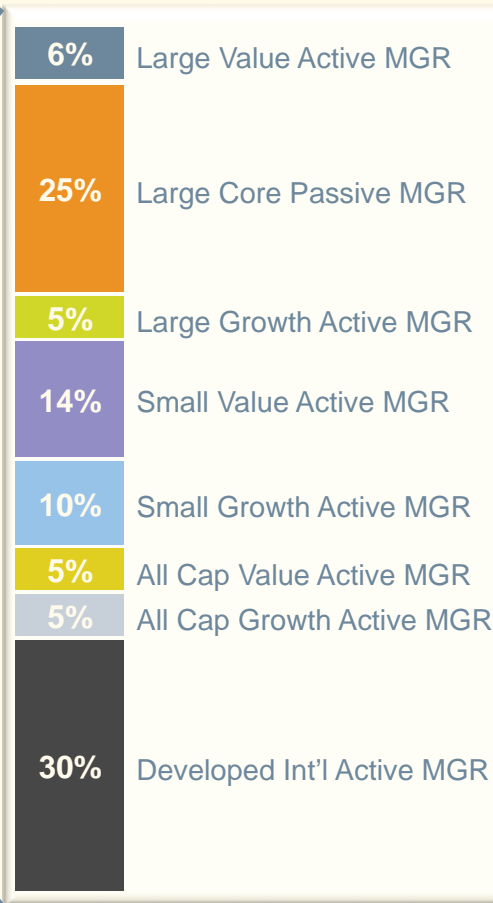
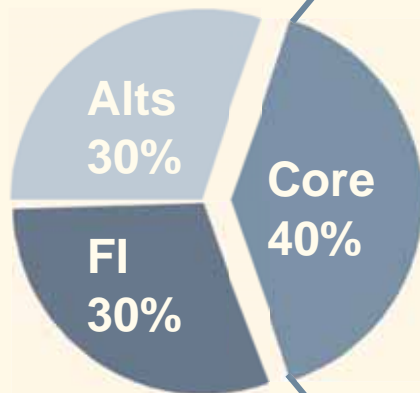
- ✓ **Manages account and rebalances in a tax aware manner**
- ✓ **Incorporates client restrictions, socially responsible etc.**
- ✓ **Manages income needs on behalf of Advisor**
- ✓ **Executes trade orders on behalf of Money Managers**





### \$1.2 M Core

### \$3 M Portfolio



Fees to Execute*	
Mutual Funds / ETFs <small>(Blended average fees according to Morningstar)</small>	1.27%
Access Overlay™ w/ sleeve managers <small>(All-in blended average fees)</small>	0.81%
Savings using UMA	
Percent	(0.46%)
Dollars	(\$5,470)

Combined Fees

\*Can vary according to provider



## Where do we go from here?





- **Build your wealth management practice intelligently**
  - ✓ Deliver a ***differentiated*** and ***tax-effective*** investment platform
  - ✓ Provide ***wisdom*** and ***knowledge***, not information and data
  - ✓ ***Optimize*** service offering and profitability by focusing on core competencies and ***outsource*** everything else
  
- **The “Wealth Management Firm of the Future” will be built on 3 core foundations:**
  - ✓ **Trust** (*Must be proactive with your clients*)
  - ✓ **Alignment of interests**
  - ✓ **Collaboration**

***DELIVER THE EXPERIENCE***



➤ **Things to consider when selecting a partner..**

- ✓ **Complete transparency**
- ✓ **Alignment of interests**
- ✓ **Agnostic approach**
- ✓ **Strengthened due diligence**
- ✓ **Control / Flexibility**



## Who We Are:

- Integrated outsourced wealth management solution to ~90 RIAs, Banks, MFOs, & Trust Companies
- Focus on advisors targeting HNW investors and families
- ~\$45 Billion in Platform Assets
- Median “end investor” size of ~\$5 million

## What We Do:

- Comprehensive Investment Platform
  - ✓ Traditional
  - ✓ Alternative
  - ✓ SMA, MFs, ETFs
  - ✓ Access Overlay™ (UMA)
  - ✓ LP/LLC Vehicles
  - ✓ Alternative Access Funds
- Information Management
  - ✓ “Custodial Agnostic” Data Aggregation
  - ✓ Consolidated Performance Reporting
  - ✓ Practice Management Metrics



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