

# UHNW FEES & PRICING PRACTICES

Driving Superior Realization

## **WISE Member Video Presentation**

December 3, 2020

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# DISTANCED LEARNING OPPORTUNITIES

## RECENT

### **The WISE Big Book: Wealth Management Fees 2021**

This research synthesizes data from more than 1600 bank, trust, and RIA fee schedules to compare firm-specific fees to current market benchmarks to help identify pricing opportunities, evaluate fees for different types of service providers, analyze trends in fee levels, returns on assets, and per-account revenues, and search for evidence of fee pressure (or lack thereof).

### **Using Pricing Practices to Strengthen Returns on Assets**

*Date: Tuesday, November 17th at 2:00 p.m. Eastern ([Link to recording](#))*

Co-host: Doug Trott, former McKinsey Partner and Founder of PriceMetrix, a data analytics firm that provides fee data to the brokerage industry.

## TODAY

### **UHNW Pricing Trends and Best Practices**

*Date: Thursday, December 3rd at 2:00 p.m. Eastern.*

Co-host: Thom Melcher, Director of Family Wealth at Glenmede

Co-host: Jamie McLaughlin, CEO and Founder of J.H. McLaughlin & Co.

Registration link: <https://attendee.gotowebinar.com/register/7414119467076750094>

## UPCOMING

### **Improving Retention Metrics and Attrition Outcomes**

*Date: Tuesday, December 8th at 2:00 p.m. Eastern, 1:00 p.m. Central, 11:00 a.m. Pacific*

Co-host: Greene Consulting

Registration link: <https://attendee.gotowebinar.com/register/7675290862449575952>

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# SPEAKERS



**Thom Melcher**

Director of Family Wealth, Glenmede

Thom Melcher is Glenmede's Director of Family Wealth. In this role, Mr. Melcher leads Glenmede's wealth management practice for entrepreneurial clients and multi-generational ultra-high-net-worth families, including the development and management of customized and comprehensive planning, advisory and investment management services.

Mr. Melcher is a member of Glenmede's Private Wealth leadership team, a voting member of the Investment Policy Committee and a member of the Private Wealth Operating Committee. In addition, Mr. Melcher serves as a primary point of contact for Glenmede's strategic alliance with Stonehage Fleming.

Mr. Melcher earned a Bachelor of Science degree from Miami University in Oxford, Ohio and has pursued graduate work at Drexel University in investment management.



**Jamie McLaughlin**

CEO, J. H. McLaughlin & Co.

In 2010, Mr. McLaughlin founded J. H. McLaughlin & Co., LLC, a management consulting firm focusing on strategy and practice management for wealth management and investment advisory firms, private banks, trust companies, single and multi-family offices.

He has over 25 years of experience in both senior operating roles and client-facing roles in the family office and ultra high net worth industry and a history of building organizations across a variety of private wealth management models. He has worked directly with firms and families across the country and developed an extensive professional network that he can call on for complementary capabilities to serve his clients.

Some of Mr. McLaughlin's recent industry publications include:

- A podcast on *Financial Planning*, "Most practices can't serve the wealthiest clients. Here's what it takes": <https://www.financial-planning.com/podcast/uhnw-consultant-jamie-mclaughlin-shares-advice-for-ribs>
- A two-part article on UHNW pricing that appeared in *Financial Planning*:
  - Part 1: <https://www.financial-planning.com/news/how-to-avoid-service-creep-and-price-more-profitably>
  - Part 2: <https://www.financial-planning.com/news/how-to-price-for-high-and-ultrahigh-net-worth-clients>
- *Investments and Wealth Monitor*, "Proscriptions and Prescriptions": [http://www.jhmclaughlin.com/PDFs/IMCA\\_UHNW\\_Proscriptions\\_and\\_Prescriptions\\_JanFeb16.pdf](http://www.jhmclaughlin.com/PDFs/IMCA_UHNW_Proscriptions_and_Prescriptions_JanFeb16.pdf)

# INTRODUCTION

## FIRM PROFILES

### About this Research

This data in this presentation are from an original research study conducted jointly by WISE, Family Wealth Alliance, and Charles Schwab. Data shown to the right and herein represent survey responses and primary source documents from 89 firms.

The total sample subdivides into two segments. Data labeled "multi-family office" (or MFO) are from firms who self-identify as an MFO and serve the ultra-wealthy (median average client size of about \$25M). "Wealth Management" data are from a sample of registered investment advisors who provide a more traditional suite of services to HNWI individuals (median average client size of about \$1.9M).

These data will be published in a forthcoming WISE study and are available to members for use in their project work.

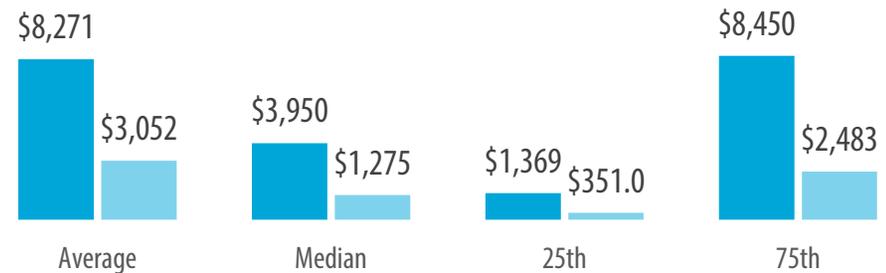
### †Assets Under Management (AUM)

Refers to the assets being managed by a firm. Assets included in AUM are the assets of the clients for which a firm makes decisions or has varying degrees of discretion, and for which the firm may design and/or implement an investment policy and asset allocation. These assets could be managed by third-parties or at the discretion of the firm.

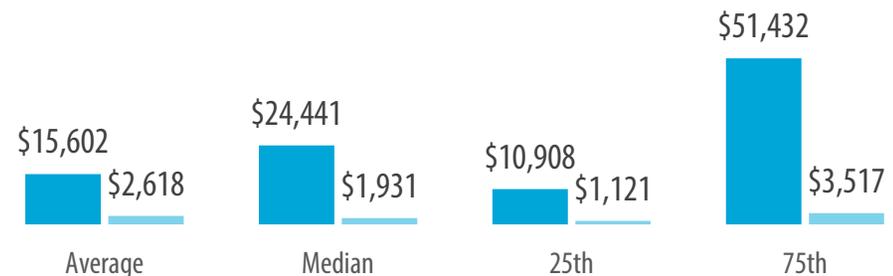
### Key Firm Financials

Average, Median, and Interquartile Range, by Firm Type

#### Assets Under Management, 2019 (\$M)<sup>†</sup>



#### Average Client Size (AUM per Client), 2019 (\$000)



■ Multifamily Office\*    ■ Wealth Management\*

Notes: \*Firms were asked to self-identify the firm type that best described their organization. Approximately 48% of firms identified as a multifamily office. The other 52% identified as a wealth management firm. Average client size:

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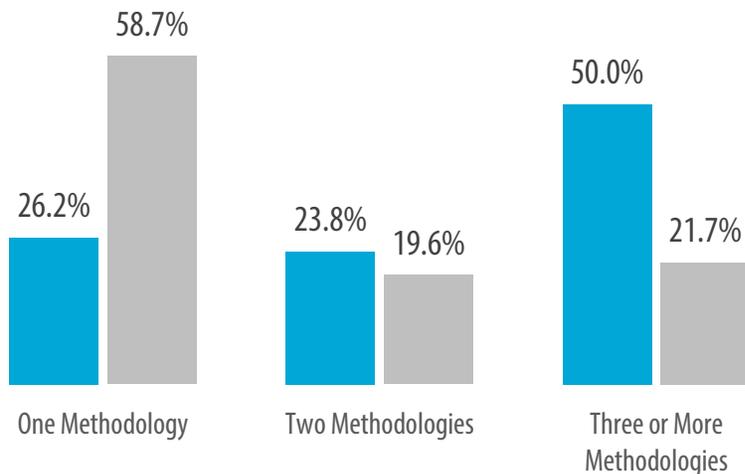
# METHODOLOGY

## NUMBERS OF METHODOLOGIES IN USE

Firms are still wedded to asset-based fees, although firms use a variety of approaches and often more than one.

### Number of Methodologies Used

Percentage of Responses, All Firms



■ Multifamily Office\* ■ Wealth Management\*

Total Methodologies	Most Common	
	Multifamily Office	Wealth Management
1	Asset-based fees only	Asset-based fees only
2	1) Asset-based fees only 2) Retainer fees only	1) Asset-based fees only 2) Project-based fees only
3	1) Asset-based fees only; 2) Retainer fees only; 3) Asset-based fees combined with retainer fees	1) Asset-based fees only; 2) Project-based only; 3) Asset-based fees combined with retainer fees

### Calculating Asset-based Fees:

- **89.4%** of all firms calculate asset-based fees using a percentage of assets under management.
- **9.4%** of firms use the percentage of assets under administration
- **1.2%** of firms use the percentage of the client's total net worth.

Notes: Firms were asked, "Which of the following pricing methods does your firm use? Select all that apply."

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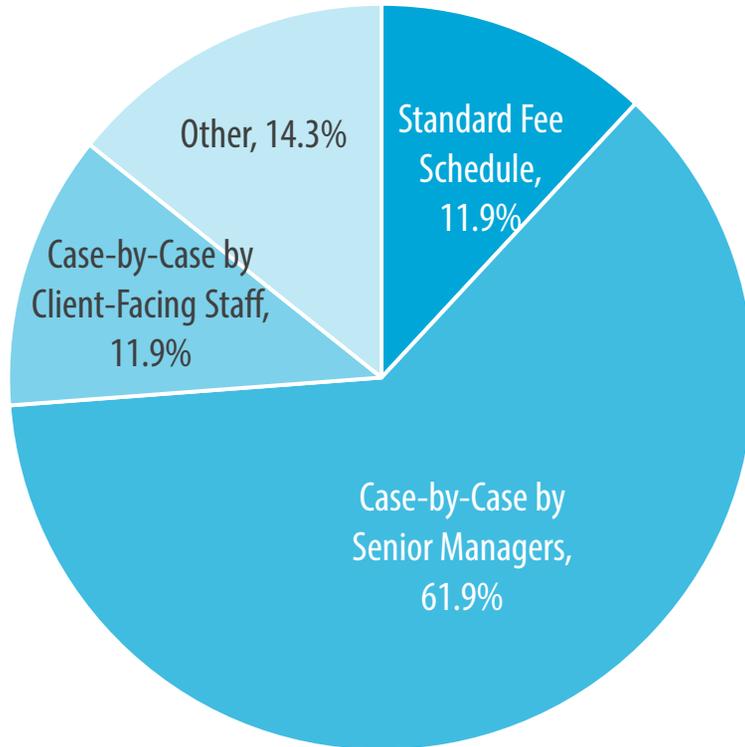
# METHODOLOGY

## RETAINER FEES

Retainer fees are a popular second choice for certain relationships and services. Despite its popularity, there a host of differences in the way firms determine and assess these fees. Customization is still extremely common.

### How Firms Determine Retainer Fee Levels

Percent of Firms, All Firms



"Other" Responses
"Fee calculator based on over 20 different variables"
"A combination of minimum fee and/or extra work/time associated with that family"
"Determined by one partner based on the budgeted time from the proposal and reviewed and approved by the other partner"
"Determined by client team presenting to fee committee with consultation with firm leadership"

Notes: Sample consists of firms who use the following methods at least occasionally: Asset-based combined with retainer fees, retainer fees Only, retainer fee combined with an hourly fee, or retainer fee combined with another method.

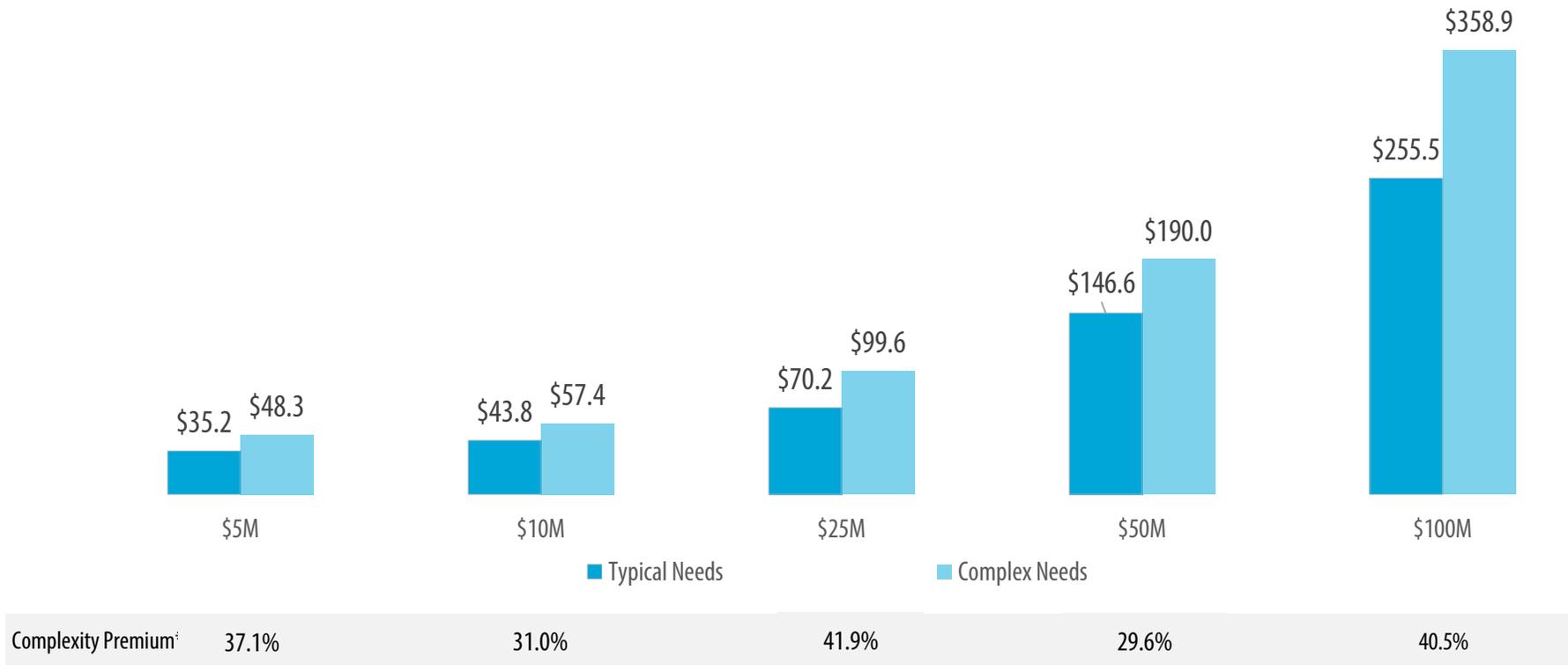
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# FEE LEVELS

## RETAINER FEE ONLY

The average retainer fee for all wealth segments is higher when clients have complex needs, especially in the higher wealth segments. The complexity premium is the highest in the \$100M wealth segment and next highest in the \$25M segment.

**Average Retainer Fee for Different Wealth Groups**  
Average in \$000, All Firms, Situations where retainer only is charged



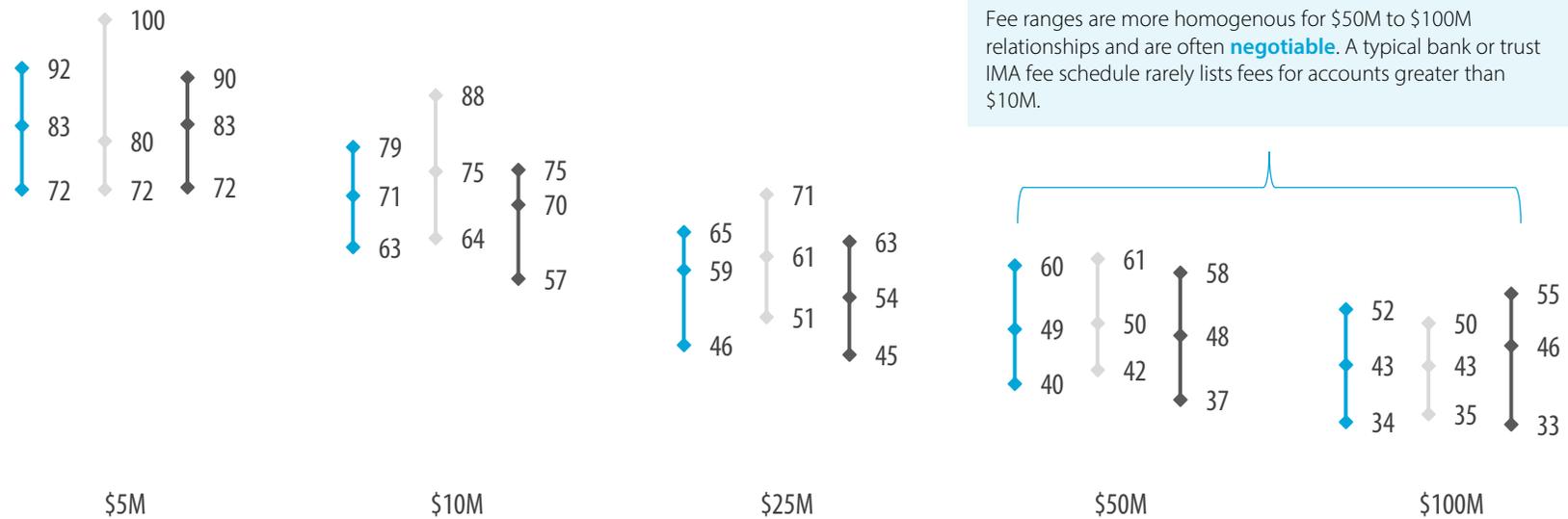
Notes: <sup>†</sup>Complexity premium was calculated by dividing the complex needs retainer fee by the typical needs retainer fee and subtracting by 1. Complex needs: e.g., multiple adult households, many legal entities, etc. Fees exclude those paid to third-parties (e.g., third-party investment managers).

# FEE LEVELS

## FEES: ASSET-BASED FEES ONLY

### Blended Ultra High Net Worth Fees

Interquartile Range, by Firm Type, Situations Where Only Asset-based Fees are Charged



Fee ranges are more homogenous for \$50M to \$100M relationships and are often **negotiable**. A typical bank or trust IMA fee schedule rarely lists fees for accounts greater than \$10M.



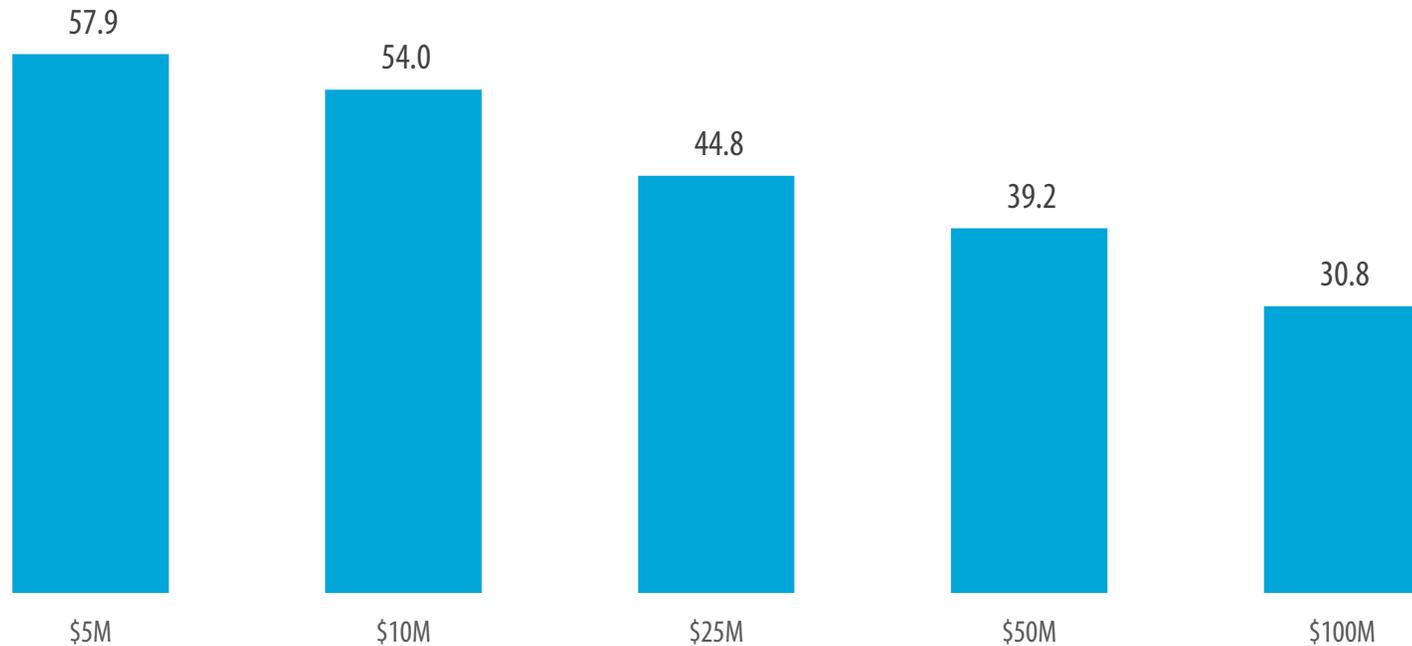
Notes: Fees were obtained via direct solicitation of fee schedules or via an online survey. Asset-based only: firms that selected "occasionally, often or always" to using asset-based fees only as their methodology for charging clients (e.g., as opposed to asset-based fees plus retainer or retainer-only). \*Firms were asked to select the best "firm type" that described their organization. In general, clients for the MFO sample are significantly larger than the RIA sample; the MFOs also offer a broader range of services.

# FEE LEVELS

## ASSET-BASED AND RETAINER FEES

### Average Asset Based and Retainer Fee

Asset-based fee in basis points (blue bars), retainer fee in dollars (gray box below)  
 Sample is for situations where firms charge both an asset-based fee and a retainer fee



Average Retainer Fee	\$16,483	\$21,771	\$43,739	\$82,532	\$131,412
Retainer Fee, % of Total Fee	36.3%	28.7%	28.1%	29.7%	29.9%

Notes: Q. What are the typical fees for clients with the following assets? Sample consists of firms who use asset based and retainer fees occasionally, often or always. Sample Size: Universe: 17.

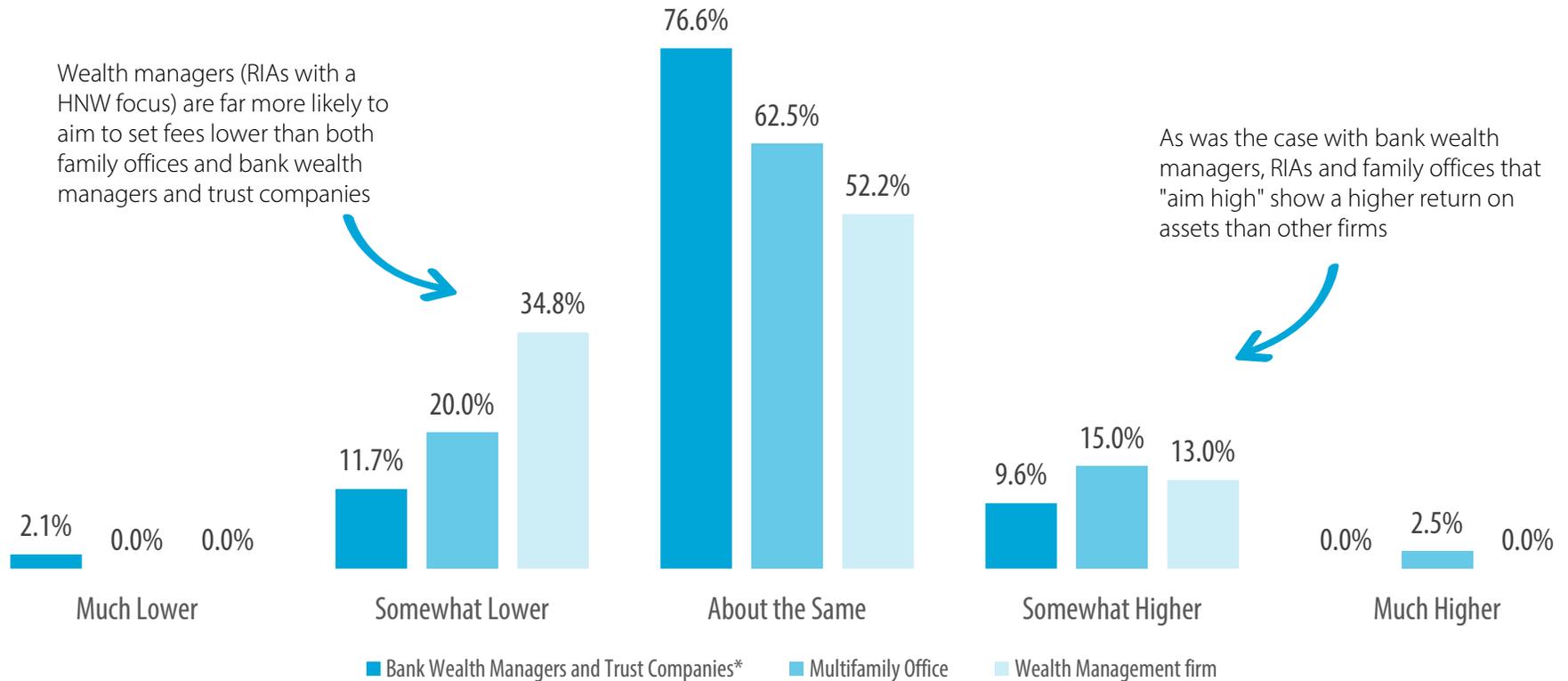
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# REVENUE YIELDS

## WHERE FIRMS SET FEES

### Where Firms Aim to Set Fees on Average

Percentage of Responses From All Firms



Notes: Excludes Firms that Selected "Don't know." \*Includes about 90 banks and trust companies that participated in the 2017 WISE Pricing Practices Study.

# REVENUE YIELDS

## RETURN ON MANAGED ASSETS BY FEE GOAL, 2019

### Return on Managed Assets

Average, By Fee Goal, BPs



### Assets Under Management per Client

Average, By Fee Goal, \$000



### Revenue per Client

Average, By Firm Type, \$000

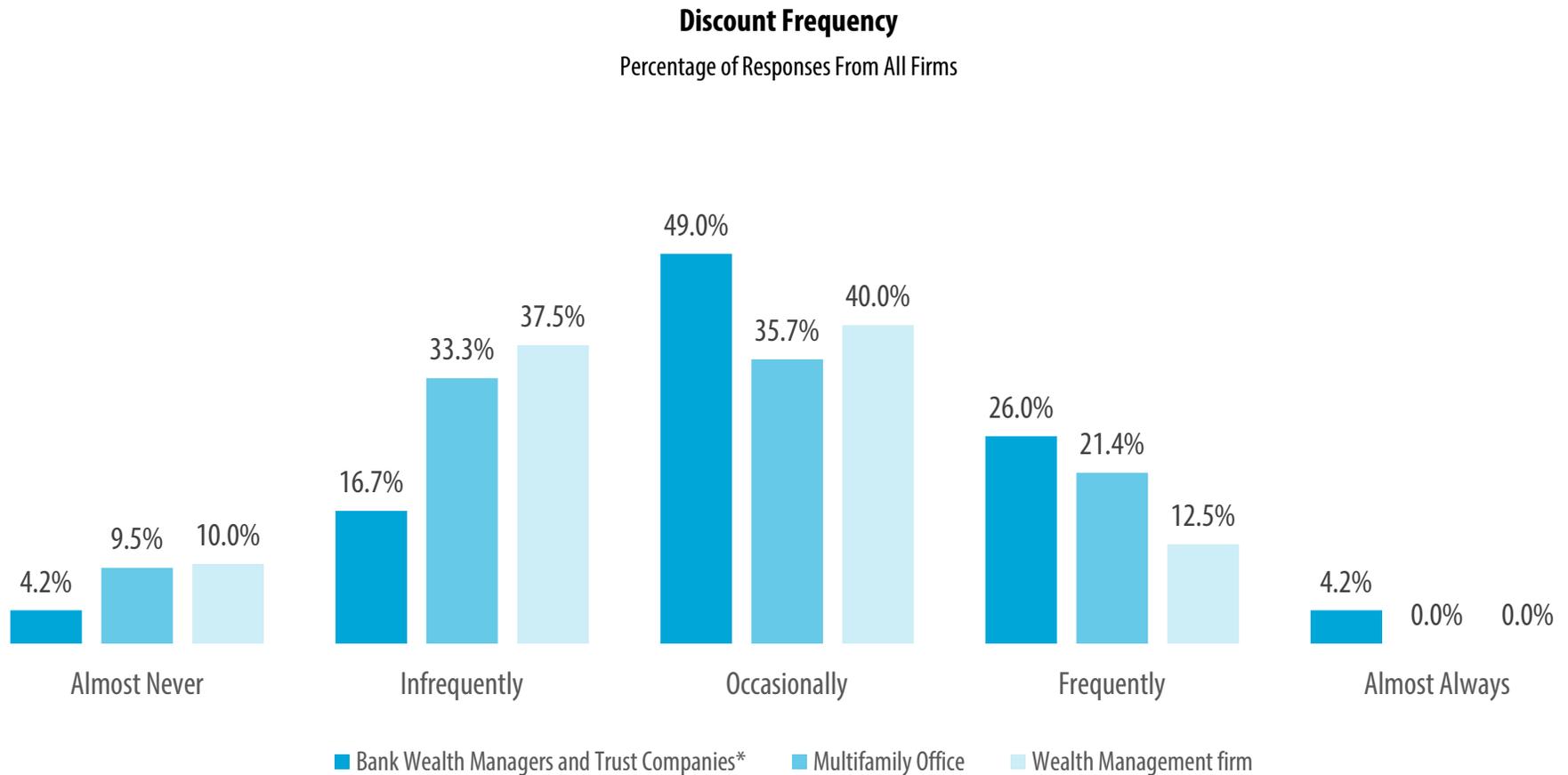


Notes: Q6. Compared to other firms in your market, where does your firm try to set its fees? Aims fees lower than market: firms that answered "somewhat lower" or "much lower"; aims fees to equal the market: firms that answered "about the same"; aims fees higher than market: firms that answered "somewhat higher" or "much higher"; Excludes firms that answered "I don't know."

# REVENUE YIELDS

## DISCOUNT FREQUENCY

UHNW firms are significantly less likely to provide discounts than bank wealth managers. About 45% of UHNW firms discount either infrequently or almost never. When provided with the same question in 2017, only about 20% of bank wealth managers identified as infrequent discounters.



Notes: Q36. How often does your firm discount its standard fees? Excludes Firms that Selected "Don't know." \*Includes about 90 banks and trust companies that participated in the 2017 WISE Pricing Practices Study.

# REVENUE YIELDS

## RETURN ON MANAGED ASSETS BY DISCOUNTING FREQUENCY, 2019

### Return on Managed Assets for Multifamily Offices

Weighted Average, By Discount Frequency, BPs



Notes: \*Small sample size (fewer than ten firms). Q6. Compared to other firms in your market, where does your firm try to set its fees? Aims fees lower than market: firms that answered "somewhat lower" or "much lower"; aims fees to equal the market: firms that answered "about the same"; aims fees higher than market: firms that answered "somewhat higher" or "much higher"; Excludes firms that answered "I don't know."



# Helping you make **WISE** decisions

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[www.wisegateway.com](http://www.wisegateway.com)

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