WEALTH MANAGER

Insight and Information for the Financial Advisor
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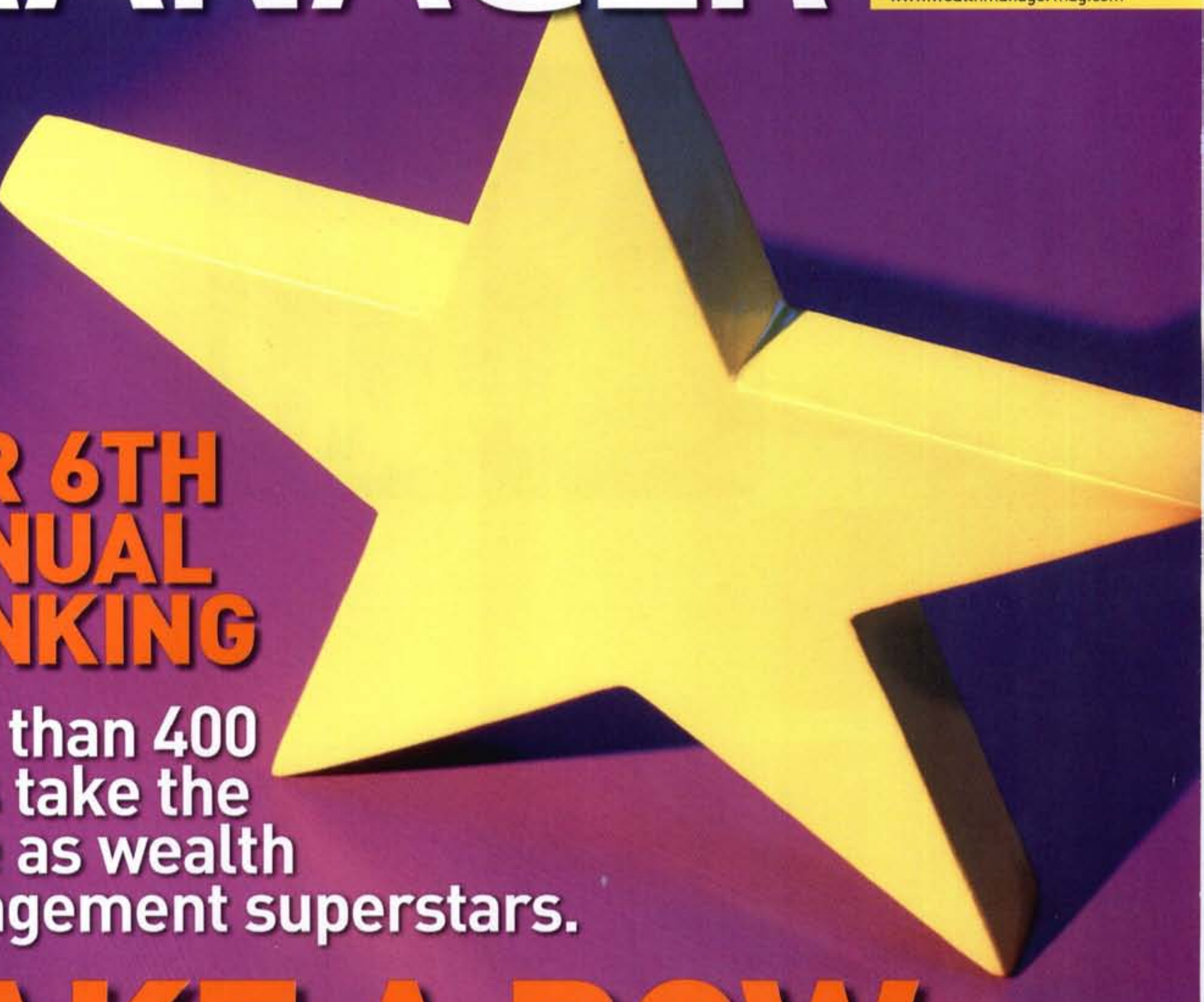

OUR 6TH ANNUAL RANKING

More than 400 firms take the stage as wealth management superstars.

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HIGHLINEMEDIA

SUPER STARS

OUR TOP ADVISORY FIRMS ARE BIGGER THAN EVER, EVEN WHEN THEY SHOW THE BEST THINGS COME IN SMALL PACKAGES. BY RICHARD J. KORETO

Photographs by Pete McArthur

When the pages

of data for the sixth annual *Wealth Manager* rankings began pouring into our office, the most impressive numbers seemed to be the average client relationships. These are the numbers this survey has always used to determine the top wealth manager rankings, and they've tended to go up. For example, last year, the top 10 firms ranged from just over $27 million per client to $59 million, while in this year's survey the top 10 run from $32 million to $76 million. But if you drill down, the surprising number is a much smaller one: Most firms count on relatively few clients to generate these impressive AUM numbers. In fact, although some firms have thousands of clients and some fewer than 20, the median number of clients is just 157 per firm.

Looking closely at the top 10 ranked firms, the results are even more startling: Only one of the top 10 has more than 70 clients. Consultants have been preaching the "less is more" model for years, of course, but it's striking to see it in evidence. It's a strange twist on capitalism as we know it. Consider McDonald's, with its signs boasting of the billions it has served. Will the top wealth management firms start posting signs saying, "We serve very, very few!"

Wealth Manager spoke with executives at this year's number one firm, S4 Capital (formerly Valence Capital), about how they reached the top with only 25 clients. CEO Sharath M. Sury says, "We're careful on growth. It's easy and tempting to take on new clients, but we need to be careful and prudent." Jason N. Shih, the president, explains it simply: "We don't want to dilute our service."

And it's true you can get extraordinarily personalized service at this level. (McDonald's is known for many things—customized service isn't one of them.) Shih notes that with these huge asset pools, high-net-worth families become more like institutional clients, with all the bells and whistles that entails.

Still, small is not a hard-and-fast rule. The ranking survey shows that there is no one way to run a successful firm. Not only did the number of clients vary, but so did total assets managed. While some firms managed more than $7 billion, there were plenty in the $50 million to $60 million range. And top wealth managers are also a far-flung lot: As expected, the big states, like California, Texas and New York, tend to dominate the list, but in all, some 40 states are represented—including Alaska.

Yes, there are trends. But in the final analysis, our survey, like our magazine itself, shows there are many paths to running a successful wealth management firm, and many ways to keep high-net-worth clients happy.

METHODOLOGY

Wealth Manager's system for collecting and organizing the material for ranking this year's top firms is virtually unchanged from last year's.

Participation Firms had to be registered investment advisors with their own IARD/CRD numbers. Half of their clients had to be individuals or high-net-worth individuals as defined by the SEC. The firms had to offer financial planning services. Banks, broker-dealers and trust companies were not eligible.

Formulas Firms included discretionary and nondiscretionary assets under management, plus various other assets not reported on Form ADV for which they received a management or advisement fee. Excluded from the AUM calculation were commission products, broker account assets, and any assets for which firms received a trail or ongoing service commission. The ranking was determined by dividing this final AUM figure by the number of client relationships reported.

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