NEWS RELEASE

WEALTH MANAGERS PREFER LARGER ACCOUNTS WITH FEWER CLIENTS

Leaner Is Better for Top Wealth Managers

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The country's top wealth managers prefer working with fewer clients with sizable accounts over larger numbers of the mere affluent, according to a *Wealth Manager* magazine survey of independent advisory firms.

S4 Capital of Chicago is the registered independent advisor (RIA) on the survey with the highest average size client relationships. The firm counts only 25 end-clients. Meanwhile, nine of the report's top 10 firms had less than 70 clients. "We're careful on growth. It's easy and tempting to take on new clients, but we need to be careful and prudent," S4 Capital CEO Sharath Sury told *Wealth Manager*, which ranked firms based on average client relationships.

Chicago-based S4 Capital boasted average relationships of $76 million, giving it a $15 million edge over its nearest competitor on the list, SCS Financial Services of Waltham, Mass. S4 Capital has $2.8 billion in assets under management overall. Rounding out the top five were Ballentine, Finn & Co. of Waltham, Mass., The Threshold Group of Gig Harbor, Wa., and Quintile Investment Advisors of Los Angeles respectively. (See top 20 wealth managers in the chart at the end of the article)

Alvin Spector**,** partner of the Chicago-based executive search firm Lantern Partners, says cost-conscious RIAs are finding it more manageable and lucrative to work with a smaller pool of ultra-wealthy investors. He sees the trend continuing.

"Your economies of scale are much better when you have fewer big high-net-worth clients instead of a mass of small clients," Spector says."That should not be a surprise. The bigger question is where do those with lesser means go for service?"

Wealth Manager cited an increase in the average size of client relationships among the top firms in the survey compared to the previous year. In 2005, the top 10 managers had between $27 million to $59 million per client. This year the figures range from $32 million to $76 million.

To be eligible for the survey, managers had to be registered with the Securities and Exchange Commission, have client lists in which half the names were high-net-worth investors, and offer financial planning services. Banks, broker-dealers and trust companies were barred from participating.

Daniel Seivert**,** managing partner of investment bank and consultancy 3C Financial Partners in Manhattan Beach, Calif., says while there's obvious appeal to the "less is more" approach, such models are by no means problem-free.

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"It is not as clear a path as one would suspect. One has to provide more sophisticated solutions to these clients," Seivert says. "There is usually an intermediary that the client will hire, a personal CFO or accountant, that will be more critical of the advisor."

Further, a smaller client list can also mean a reduction in fee-based revenue, he adds. "As you move up in client size, fee percentages or basis points are going to go down. Total revenue could decrease if one does not maintain enough assets among the remaining clients to compensate for the effects of tiered pricing," Seivert says. "It is not as simple as you may think. On one hand, servicing fewer clients can put downward pressure on expenses but providing for the greater needs of larger clients puts upward pressure on expenses."

Stewart Massey, founding partner of the survey's 10th ranked firm, Morristown, N.J.-based Massey, Quick & Co., says his firm's highest priority is to give its roughly two-dozen clients the best service possible. The start-up has gone from zero in assets under management to $750 million in approximately 20 months.

"We want to make sure all of our clients feel like they are the most important people in the world," Massey says. "We are accessible 24 hours a day, seven days a week. People take their money seriously. We take the responsibility of shepherding their capital very seriously."

Les Quick, also a co-founder, agrees. "It is about performance, performance, performance," he says. "We are very big on measuring units of risk versus units of return. We think we have done that successfully for our clients."

Shannon Eusey, president of 20th-ranked firm Beacon Pointe Advisors in Newport Beach, Calif., says providing investors with a best of breed investment model has been an essential component of her firm's business strategy.

"If you look at or business as relative to others in the industry, what sets us apart is that we are independent," Eusey says. "We don't offer any proprietary products. We are looking for the best investment managers in every asset class, from private equity to hedge funds." Beacon Pointe has $4 billion-plus in assets under management, with a third of that sum in private client accounts.

ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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