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Headhunters Drawn To Ultra-Wealthy Market

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The high-end wealth management market is attracting the attention of recruiters who scent lucrative opportunity in an evolving industry. Headhunters foresee an increasing number of personnel moves and competition for talent at the family office end of the market.

"Recruiters can get paid one-third of an executive's first-year salary and bonus," says Dan Seivert, managing principal of 3C Financial Partners, a Los Angeles-based investment bank and strategic consultancy. That means a headhunter who helps three brokerage advisors — pulling in, say, $600,000 a year — move to a multi-family office is in for a considerable one-off payment.

Headhunters are watching the ultra-wealthy segment with intense interest, says Linda Mack of Mack International, a recruitment firm that specializes in placing wealth management executives. "It's an obvious space given the baby boom and all the new wealth creation." But the fact that many recruiters are coming to that conclusion at once means "it's going to be very competitive" for them.

Some recruiters are themselves staffing up to capitalize. Warren International recently brought in Roy Duke, formerly a wealth manager with Scudder Private Investment Counsel. He thinks Warren has an edge heading into the wealth management sector. "Our firm has the deepest and longest experience in liftouts on the institutional side," says Duke. "The mechanics of a liftout in the private-client space is the same as the mechanics of a liftout in the institutional space."

In addition to tapping a rich vein for compensation, recruiters that find teams for the high end of the wealth management business are working in a growing market segment. Last year there were 7.7 million people around the world with more than $1 million in investable wealth, according to the latest Capgemini and Merrill Lynch *World Wealth Report*. That's an increase of 7.7% over 2002. The number of ultra rich — those with more than $30 million in invested wealth — though smaller in absolute terms at 70,000 individuals, is expanding even more rapidly. Overall, that's a trend that's likely to continue for several generations as successful members of the bulky baby-boom generation retire and cash out of businesses, according to Capgemini and others.

As the rich get more numerous, more of them are turning from product-centric investment platforms to high-end wealth management models, says the *World Wealth Report*. Wealth management boutiques, multi-family offices and personal CFO practices claim to view their clients' wealth comprehensively with the aim not just of maximizing clients' gains but of planning for the long-term — even inter-generational — preservation of their wealth. The hallmarks of high-end management are close personal service, "best of breed" investing and broadly inclusive financial asset reporting.

The growing demand for specialized wealth management is reflected in recent events on the ground. Lydian Wealth Management, though silent now because of its parent Lydian Trust's upcoming initial public stock offering, has in the past made no secret of its willingness to use liftouts to feed its expansion. The Rockville, Md.-based multi-family office recently bought Windermere Investment Associates, an investment consultancy in Portland, Ore and Philadelphia-based Copper Beech Advisors.

Atlanta-based Stillpoint Advisors is another aggressive multi-family office. It recently grabbed a team from Smith Barney— and it vows to keep lifting out teams of experienced wealth managers.

Multi-family offices Asset Management Advisors of Palm Beach, Fla., and Pitcairn Financial Group of Jenkintown, Pa., have been on the move as well, each opening a new branch in recent months. MyCFO, meanwhile, says it's set to open a branch in Chicago sometime this year — its first expansion since Harris' Canadian parent BMO Financial Group bought the personal CFO in 2002.

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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