INTERVIEWING WEALTH MANAGERS

COMPLIMENTARY GUIDE

find a wealth manager.com

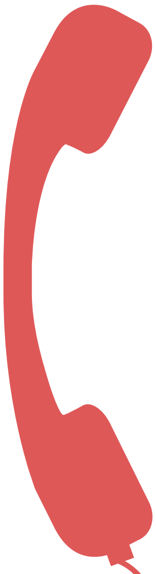
YOUR GUIDE TO Interviewing Prospective Wealth Managers

Engaging a professional wealth manager may be one of the best financial decisions you ever make. Ensuring your investments are performing optimally and that your risk exposures are appropriately managed is foundational to your financial security. With a professional on board, you will be far more certain of achieving your long-term goals.

When it comes to finding the perfect partner for your needs, findaWEALTHMANAGER.com's matching system will do all the heavy lifting. Our system generates a maximum of three best-matched wealth managers. The final, subjective choice is down to you.

The following will provide a useful framework as you interview prospective wealth managers, helping you get a better sense of how they work and enabling you to make meaningful comparisons.

Initial telephone calls



Because findaWEALTHMANAGER.com's algorithm matches users with wealth managers against a wide range of variables, you can rest assured that the institutions you authorise to make contact represent a good fit for your needs. That said, there are often additional requirements or considerations which become apparent as you discuss things with a professional and reflect on your options.

Wealth management professionals are adept at the sensitive questioning required to draw out a person's true attitudes and objectives. While you will not be asked to discuss too many confidential details over the phone in an initial call, many of our users report having such a productive first conversation that they mentally signed-up straight away.

This being said, for most individuals introductory calls are just a starting point to find out if they want to know more about a particular firm. Many clients request an information pack from the institution at this point so that they can peruse company literature ahead of time and so have any questions ready for when a meeting takes place.

Initial meetings

The agenda for your initial interview meetings with a wealth manager will depend on how far things have progressed at the telephone call stage. You may have discussed your requirements in some depth and be close to signing up on the basis of the rapport you have formed. Equally, you may be undecided and waiting to see if personal chemistry with the proposed adviser is a deciding factor.

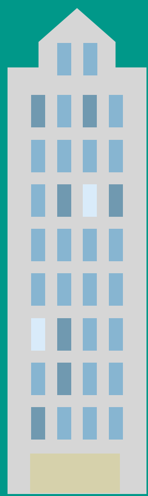
It is wise to have read a wealth manager's literature before meeting with their proposed adviser. That way you can prepare necessary questions, and help yourself make a decision faster: although you should make a careful choice, the sooner your money starts working harder the better.

While the UK wealth management market is crowded, the distinctions between different providers are quite subtle. Depending on your priorities, you may wish to ask potential providers about the following areas:

What you should find out

The institution itself

All the wealth managers on the findaWEALTHMANAGER.com panel are FCA-regulated, have over £250m in assets under management and have been in business for three years or more. Nevertheless, you may still want to ask about where your cash and investments will be held (investment houses can sometimes offer a choice of custodians for your assets) and what happens if the firm has financial difficulties.



We also find our users are increasingly interested in the corporate structures behind wealth managers. As explained below, there are several types of provider in the UK, ranging from small private client stockbrokers to the wealth management divisions of international banking groups. Some clients favour smaller, independent (and often regional) wealth managers, while others have need of the wider capabilities on offer at the big brands.

The firm's investment process and approach to managing risk

A prospective wealth manager will be keen to tell you about its investment ethos and approach to constructing investment portfolios (and financial planning if that is on offer). As part of this conversation, you want to ask about the wealth manager's processes for matching clients to suitable investments and managing risk. The firm's performance history will also figure highly here, and you should take into account capital preservation, volatility and the total costs accrued when assessing returns. Also note the benchmark that the wealth manager uses against it's own performance and see how this works for you and whether you understand it. There are always benchmarks and time periods to choose that make performance look good. Ensure that the benchmark and time period fairly represent a comparable for your profile.

The firm’s approach to client service

There are hundreds of wealth managers operating in the UK and each has its own ways of working and brand personality. While excellent service is of course a given at this level of doing business, you may find that one wealth manager suits you best because it has a very tech-savvy approach (e.g. you can video conference with your advisers at your convenience), or you may prefer an institution which prioritises face-to-face meetings, and a more traditional touch.

Top of your list of questions should be how often you will meet or have in-depth conversations with your adviser(s), but also how often they will contact you in normal circumstances. You also want to know more about the kind of communications you can expect from the firm, what they do to get feedback from clients, and what a typical relationship trajectory looks like.

Wealth managers pride themselves on treating clients as individuals and there is a fair amount of room for manoeuvre when it comes to how your relationship develops. Some investors want their adviser to be contacting them quite frequently, while others prefer a lighter touch. Enquire about these points of customisation if they are important to you.

The people proposed to work with you

You should find out if your proposed adviser will be managing your portfolio, or if they are more of a relationship manager, with investment management happening “behind the scenes”. One model is not necessarily inferior to the other, and many institutions operate a team approach to managing clients for the sake of continuity.

On the point of qualifications, the Retail Distribution Review reforms which came into force at the start of 2013 require all financial advisers to be qualified at QCF Level 4, the equivalent of undergraduate level. Many firms have now moved to get their staff qualified at Level 6, however, and if this is important to you then do enquire. If you are looking for specific capabilities, such as in financial planning, you could ask about qualification standards too.

A final consideration is adviser match. The value of your wealth management relationship will grow over time as your adviser gets to know you and your needs better. It goes without saying that they have to be someone you can get along with and also someone you can trust - do not be afraid to ask a wealth management institution for an alternative choice if you feel you could get on better with another adviser.

> “It is wise to have read a wealth manager’s literature before meeting with their proposed adviser. That way you can prepare necessary questions and help yourself make a decision faster. Although your decision should be carefully considered, do bear in mind the sooner your money starts working harder, the better.”

Next >>>

Find out about the details…

Once you have a good sense of a wealth manager’s ethos and approach, and the institution has formed a good understanding of your needs, a potential package can be worked out for you. This covers investment management, financial planning and other services you may need.

This proposal will tell you how much you will pay for each element of your wealth management services. However, although all wealth managers have to disclose fees up front, there may be subtle differences in the way each firm charges. Ensure that you bear this in mind when comparing fee schedules.

FIND YOUR BEST-MATCHED
WEALTH MANAGERS HERE

Understanding
Wealth Management Fees

Fee transparency has increased following reforms of the Retail Distribution Review in 2014. Wealth managers must give you a clear understanding of how much your will pay for each element of their services. There will be several components making up the total charges and it may be that the wealth managers under your consideration charge in a different manner. Familiarising yourself with the common terminology used will help you discuss fees meaningfully with your wealth managers.

The following gives an overview of the charges which are typical of a wealth manager. Financial planning and wealth structuring services are likely to be charged separately perhaps as a standalone fee. It might also be the case that such charges are waived, for those making very significant investments with the institution. If financial planning is a service you require, simply indicate so when prompted by findaWEALTHMANAGER.com's matching system.

Management fees

Management fees are typically applied in discretionary investment management relationships, where the client sets the parameters of the investment strategy but the adviser assumes responsibility for the decisions of day-to-day portfolio management. However management fees are increasingly levied for advisory relationships too.

Management fees are usually not an all-in fee. They cover the advice and expertise of the investment manager but not the costs incurred to trade investments on your behalf, such as exchange costs or Stamp Duty. There may also be underlying management fees to take into account, if your adviser is buying investment funds for your portfolio which are managed by a third party.

Management fees are quoted as annual fees but are usually charged quarterly, either on the value of the portfolio on a specific date, or on its value averaged out over the period. Fees are typically charged as a percentage of the total amount of assets invested (called "Ad-Valorem" charged.)

Annual management fees have been introduced by several firms for advisory relationships and here there can be significant variation. Some institutions allow a certain number of fees to be made per quarter for a fixed fee, while others treat the management fee more as a charge for advisory support and add costs for trading on top.

Account fees

Some, not all, wealth managers charge clients for having an account, so 'account fees' are something to ask prospective wealth managers about. Where they are levied, account fees are intended to cover all the administrative and back-office support required to run an account – costs which are not inconsiderable when one considers all the valuations, documentation and regulatory checks involved for each client. Institutions may be prepared to waive account fees for investments over a certain size.

Custody fees

Custody fees are charges to hold securities (i.e. non-cash assets) in safe-keeping on your behalf. If you are working with an investment manager which is not a bank, they will usually be working with a selection of large, financially strong institutions which serve as custodians.

Custody fees tend to be up to 0.2% of assets.

Transaction fees

Wealth managers incur a variety of transaction charges when trading on your behalf. Typically these are not charged in a discretionary investment management relationship since the adviser is choosing which investment instruments to deploy. However, you may find that brokerage fees (see below) could come into play if, as a one-off, you wished your adviser to buy a certain equity which does not figure as part of your discretionary portfolio.

It is in advisory relationships that transaction fees are much more of a consideration. These might be levied on a trade by trade basis or a certain amount of trading could be "free" each quarter, with charges accruing for additional activity over that quota.

When thinking about transaction fees, considered comparisons are required. It is unhelpful to compare a wealth manager's transaction fees to those offered by online brokerages since the former reflects the skill, expertise and infrastructure of the wealth manager. The latter simply reflects a transaction where no advice or support is given. It would be unwise to use a wealth manager on a transactional, execution-only basis.

Exchange fees

Exchange fees are charges levied by the exchanges (like the London Stock Exchange) where equities and bonds are traded for your portfolio. For main markets like the LSE exchange fees are typically small (0.02% to 0.1%), but they can be higher for emerging and frontier markets, or for the harder-to-access markets that wealth managers are able to get their clients into (DIY investors are of course far more restricted in these terms). The additional costs (and perhaps) risks of investing in more exotic markets will be fully discussed with you before any investment activity takes place, however.

Stamp Duty

Stamp Duty is a government tax on trading securities which is levied according to where the equity or bond is bought. Stamp Duty can apply to both paper and electronic dealing and is applicable in many countries. In the UK paperless transactions settled through CREST incur a 0.5% Stamp Duty charge while Stamp Duty on Irish-registered stock is currently charged at 1%, for example.

Brokerage fees

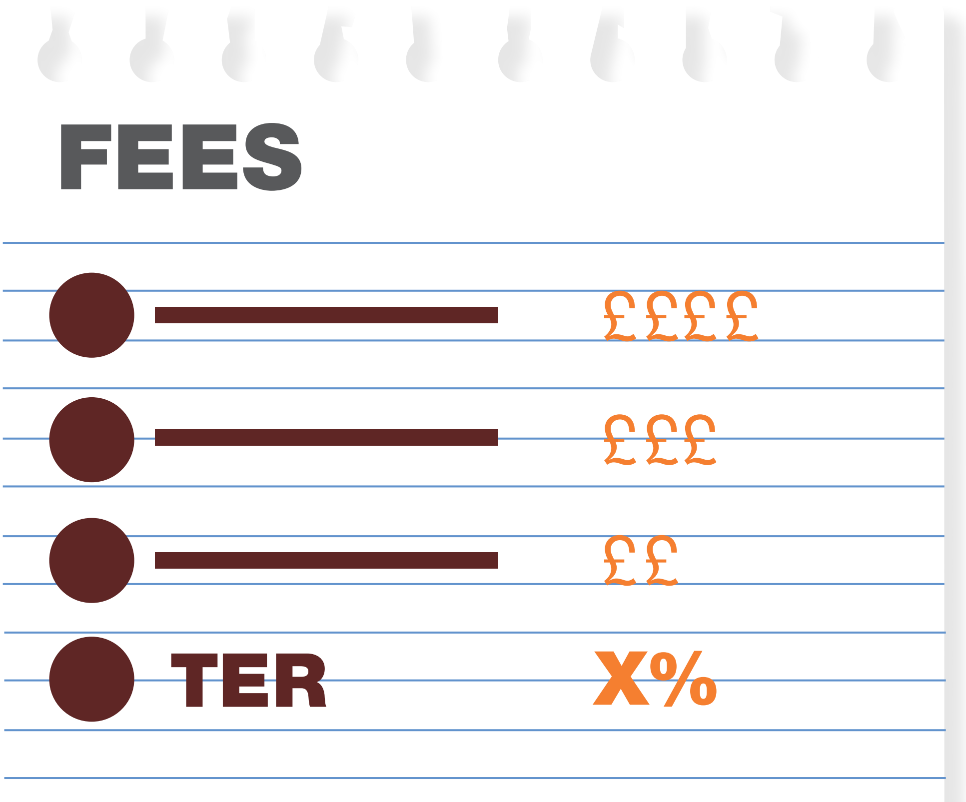
Certain securities might be illiquid or trade on the more unusual exchanges, and wealth managers are obliged to get the best execution deal possible for each of their clients' trades. Therefore, it might be necessary for the wealth manager to get an intermediary party involved to secure this. A broker might charge anything from 0.05% to 0.2% of a trade or even more depending on how difficult the investment concerned is to buy or sell.

Total Expense Ratio –
The most important figure of all

As you will now appreciate, there are several components to your wealth management fees and each institution presents these charges in a different way. However, there is one headline figure you should focus on: the Total Expense Ratio.

Prospective wealth managers will quote a TER indicating how much you will be charged for having a portfolio managed on your behalf. This will be an annual charge calculated as a percentage of your total investment and should include all charges and fees applicable (do ask the firm to confirm that this is the case). Anticipated TERs may be presented in ranges, for example 1.5–1.7%, to take account of possible fluctuations in fund manager fees and other costs. Generally, however, the quoted TER should give you a good deal of certainty over the maximum you will pay each year for your wealth management services.

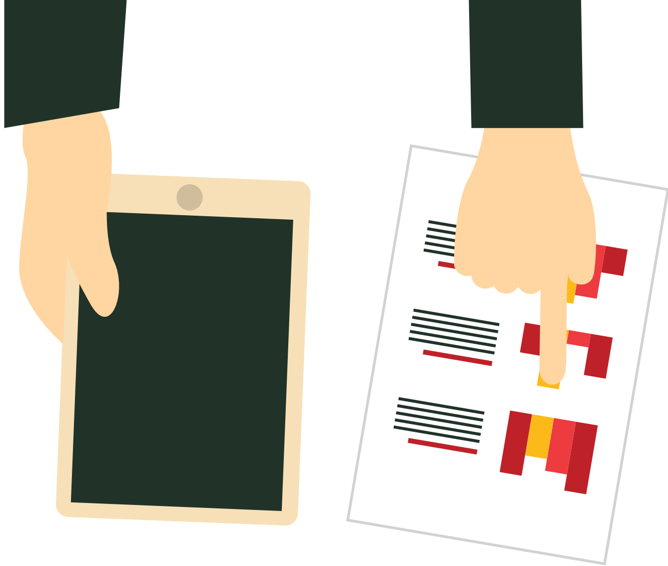
Talking through TERs with prospective wealth managers will make it much easier to compare providers on price, although you should always bear in mind that each is likely to be offering a different package. When combined with performance data, a TER will help you see clearly how much – net – a wealth manager could add to your wealth each year.



Know the Value of Fees as well as the Price

“Investors need to make a full appraisal of all the expertise and capabilities covered by a wealth manager’s fees – and appreciate the full value a professional could add.”

Wendy Spires
Director of Content and Research



Be careful what you read

In these cost-conscious times, the issue of investment management fees remains high on the agenda. Journalists jump on instances of what they consider to be poor value and suggest that DIY investing would deliver similar results for lower cost.

This makes good newspaper copy at a time when people are sceptical of the financial services sector. The proliferation of online trading platforms also means investing is cheaper and easier than ever before. But while some investors can do well running their own portfolios, it would be over-simplistic to suggest the DIY option is always the best choice. There are myriad reasons why engaging a wealth manager could represent better value.

In our latest poll, we found that 39% of our users do some DIY investing, but a third of those said they had reached a point where they didn't have time to manage their investments. This is an often overlooked part of the puzzle.

Active investors take a keen interest in markets and macroeconomic developments, but - as they soon realise - monitoring assets can be a very involved task. It can also be a stressful, in what continues to be a volatile investment environment. The interlinking of economies, currencies and industries globally can have huge implications for investors' portfolios - and it is easy to see how keeping on top of relevant developments can start to feel like a full-time job for the DIY investor.

Time, money and expertise

Many investors are professionals or business-owners who don't have much time to manage their investments. Even those with sufficient time can find that the pressure of big-stake investment decisions uncomfortable. Remember that analysing short-term events and longer-term trends are not something even professional wealth managers can undertake alone: institutions have whole teams of people dedicated to the challenges and opportunities the investment environment presents.

Engaging a professional wealth manager involves fees, but any assessment of value for money needs to factor in behind-the-scenes expertise and infrastructure it includes. Having top-quality research and investment expertise can boost your return potential while minimising risk, which would mean the DIY route isn't much cheaper in terms of net gains. Some would argue it's hard to put a price on the peace of mind that comes from having an experienced manager handle your investments.

Access to investment expertise and the psychological comfort that comes with it are only part of the story. There are a host of ways that wealth managers can deliver more value than you imagine. It is often the case that retail investors buy more expensive financial instruments than if they had gone to the professionals because institutions can use their buying power to purchase more cost-effective fund units.

DIY aficionados may be unused to thinking of wealth managers as being concerned with offering good deals for their clients, but this is a real focus among the managers. It may surprise you to know, for instance, that private banks are often able to offer high-value mortgages on more attractive terms than what might be available on the high street; they may also be able to offer a fast and flexible loan against your investments at a competitive rate.

So engaging a professional institution opens the door to a host of experts and services, which could make you or save you serious money over the long term. While the headline costs of DIY may be smaller, it also means going it alone. DIY investors receive no advice; nor do they have someone looking at their wealth holistically to add planning and structure.

So while the costs of wealth management often get negative press, investors weighing up their options should appreciate the subtleties behind the headline figures. It is easy to know the price of something without fully understanding its value and it may be that – to you – the expertise, peace of mind and broad capabilities a wealth manager can deliver are worth paying extra.

Many of the firms on the findaWEALTHMANAGER.com panel have made cost-effectiveness a real focus, and will impress you in terms of the net gains made for their clients.

YOUR CHECKLIST:
Ten Key Questions to Ask a Prospective Wealth Manager

Checked!

1. How safe is my money? ☐
2. How long has your firm been established, and who owns the business? ☐
3. How experienced and qualified are the individuals I will be dealing with? ☐
4. How will you go about building an investment portfolio suitable for my needs? ☐
5. What level of investment performance has the firm delivered historically? ☐
6. What is the firm's approach to managing risk , as a business and in my portfolio?? ☐
7. How often can I expect to have contact with my adviser? ☐
8. How many clients does each adviser tend to have? ☐
9. Which other services are you able to provide, other than investment management? ☐
10. Which charges will I pay for your services (and products)? ☐

Find A Wealth Manager is an independent service designed to help clients navigate the opaque world of finance and wealth planning. We partner with the leading UK firms who commit to best practice and better value fees. Use our configurator to get matched to the right firm and then our experienced team will help meet your best placed manager.

READY TO GO

Use our configurator to get matched to wealth and investment management firms and have our team provide tailored introductions

FIND OUT MORE

Use our information centre packed full of guides, articles and eBooks to increase your knowledge and specific areas of interest

GET IN TOUCH

Our team of experts have a combined 70 years industry knowledge. We are straight talking, impartial and there is no obligation

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