

# WHAT IS THE DIFFERENCE BETWEEN A WEALTH MANAGER, AN INVESTMENT MANAGER AND A PRIVATE BANK?

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COMPLIMENTARY GUIDE

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# What is the Difference Between a Wealth Manager, an Investment Manager and a Private Bank?

***At findaWEALTHMANAGER.com we try to find you the wealth manager that's right for you. We understand perfectly well, though, that for most people this isn't the start of the journey***

That's because most people first need to know what a wealth manager is. Many ask us if there's any difference between a wealth manager, an investment manager, a private bank and a financial adviser. Are they all the same?

They then need to know why they might need one, what wealth management costs and if it's worth it. Only then might they finally begin to ask: "Which is the right wealth manager for me?"

This short guide aims to answer some of those important initial questions.

## What is a Wealth Manager?

As your wealth grows, your financial needs change. Protecting your wealth and getting the best return on your investments often becomes more complicated. This is where a wealth manager comes in.

A wealth manager helps an individual invest wisely.

Typically, this will mean investing in an appropriate and well-diversified blend of assets from around the world. Often known as "asset classes", these might include shares, government and corporate bonds, gold, property, commodities and cash.

The word "appropriate" is particularly important here – we mean appropriate to *you* and your situation.

When you first meet your wealth manager they're likely to want to understand your current financial position. They'll want to know about your needs and aspirations.

If you're not already retired, they're likely to talk about your retirement plans and what pensions and other

savings you have in place. They can help you calculate the return you would need to achieve on these savings to fulfil your ambitions.

They'll explain the risks you would generally have to take for such returns and discuss how comfortable you would be with that. (If you're not comfortable then you'll either have to save more or alter your aspirations. The earlier you have the conversation, the more time you'll have to address these issues – and the less drastic the necessary compromises are likely to be.)

The conversation might also cover saving for school fees or leaving money for children on your death.

In addition, although a wealth manager may not necessarily be a tax specialist, they'll certainly want to ensure your investment performance isn't being unnecessarily eroded by tax. They'll establish whether you're using tax-friendly devices like pensions and ISAs and may encourage you to think about inheritance tax planning.

In our *Choosing a wealth manager* guide we explain in detail how to find the right wealth manager for you. Suffice to say here that when people meet a wealth manager for the first time they often really enjoy the experience.

The financial services industry is notorious for its love of acronyms and technical terminology, but when it comes to face-to-face meetings there are lots of people who are very good at explaining things. It's very common for clients to tell us afterwards how much clearer their financial picture seems and how much more confident they feel about the future.

So what's the difference between a wealth manager, an investment manager and a private banker?

The short answer is "Not a lot".

The terms "wealth manager" and "investment manager" are often interchangeable. Both describe people who manage money.

If there's a subtle difference it's that a wealth manager manages money to meet an individual client's needs while many investment managers don't have any individual private clients and simply sell off-the-shelf, retail investment products.

It's a bit like the difference between a restaurant and a ready-meal manufacturer. One cooks what you want there and then, and the other produces pre-packaged food for a supermarket to sell (albeit often very good food).

We can extend the analogy to illustrate the enormous range of wealth managers. Some will offer you a very limited pizza menu – you choose the one that suits you best, and that's the limit of your choice – while others might offer you the chance to play with the toppings!

At the top of the food chain – and here we'll end the analogy – are the private banks, family offices and concierge wealth management services. These might offer more exotic products, such as private equity, with very high minimum investment levels. They might offer short-term loans, bank accounts and cross-border tax planning advice for those with multiple domiciles. Concierge offerings might even organise theatre tickets or sort the paying of school fees.

These high-end wealth managers will probably have very smart offices – perhaps in Mayfair – and their name on a chequebook might impress your friends and peers.

Is one better than the other? Not necessarily. Although providers like these can prove surprisingly cost-effective for the very wealthy, many people don't need lots of expensive extra features – simple is fine for them. When you come to *findaWEALTHMANAGER.com* we'll help you find the level of service that's right for you.

## Types of Wealth Manager Service

When choosing a wealth manager you'll often be asked which of three different types of service you require: *discretionary*, *advisory* or *execution-only* (which isn't as threatening as it sounds).

### 1. Discretionary investment management services

This is where your wealth manager works with you to establish your investment objectives and willingness to take financial risks and then devises and delivers an appropriate investment strategy. They don't need your permission to implement a recommended change to your portfolio – you give them the *discretion* to act on your behalf. It's a service that relies on trust, but it means your manager can act quickly to reduce risk or seize opportunity.

### 2. Advisory investment management services

Here your wealth manager *advises* on investment strategy but you make the final decision. They'll take no action on your behalf until your approval is given. It's a labour-intensive way of managing money and one that's generally offered only by higher-end providers, many of which will ask for clients to open an account with at least £1 million to access their advisory services.

### 3. Execution-only investment management services

Here you decide what to invest in and instruct your wealth manager to buy and sell assets on your behalf. They simply *execute* your trades for you. This service is usually suitable only for highly experienced investors and financial professionals.

**Most people – more than 70% of *findaWEALTHMANAGER.com* users – choose a discretionary wealth-management relationship.**

## So What Does a “Financial Adviser” Do?

Financial advisers<sup>1</sup> tend to specialise in financial planning and tax planning – helping you work out how much you need to save for retirement and how to invest tax-efficiently. They might help you to consolidate your pensions savings and to get a good picture of your financial position. They might also help you to pick a mortgage or find the right life insurance.

Some financial advisers do have the expertise and qualifications to manage money, but it’s not something most specialise in. Often they outsource this responsibility to a wealth manager or investment manager. As many financial advisers charge fees as a percentage of a client’s wealth, it means you might find yourself paying twice and heavily.

## A Word On Costs

In 2014 it was reported that the average annual charge for discretionary wealth management services was 3.65%. This figure probably includes IFA fees.

On the [findaWEALTHMANAGER.com](https://findaWEALTHMANAGER.com) platform the average cost for wealth management services – and we have access to some of the best providers in the industry – is between around 1.1% and 1.7%.

Many wealth managers now also provide many of the financial and tax planning services that used to be the domain of financial advisers. Often this will be on a one-off basis, costing perhaps £1,500. Most people might need this sort of advice just once every three to five years.

In short, if you’re using a financial adviser for financial planning advice and investment management and paying more than 1.7% a year in total then it’s worth contacting us.

### Costs matter

Imagine client A pays their wealth manager an annual fee of 2.5% on an investment portfolio worth £1 million, while client B pays 1%.

Over 10 years client A will pay £364,335 for their adviser’s management fee alone. Client B will pay £155,752.

Ask your adviser for their total expense ratio. Anything above 2% is on the high side.

[findaWEALTHMANAGER.com](https://findaWEALTHMANAGER.com) customers save an average of £20,000 annually in fees, based on a £2 million portfolio.

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## What are the Benefits of a Wealth Manager?

It’s fine to tell you what a wealth manager does, but how can using one make a difference?

We believe a good wealth manager will help:

- **Achieve better returns** – using their expertise to access the best funds and putting your money in the right assets and the right parts of the world at the right time.
- **Reduce risk** – actively managing your portfolio to ensure it’s diversified and that you’re taking the right level of risk for you.
- **Reduce your stress** – you can rest easy, knowing your money is in safe hands.
- **Reduce costs** – they can replace a financial adviser, saving you thousands of pounds over the long term, and they might even be cheaper than DIY wealth management through platforms such as Hargreaves Lansdown (see our guide comparing the costs of professional and DIY wealth management).

- **Save you tax** – a wealth manager can help ensure you make the most of your ISA and pension allowances and that you don't mistakenly breach pension contribution limits. They can get you the right advice to ensure you're well placed to avoid unnecessary income tax, capital gains tax and inheritance tax. They can help you access well-run, tax-incentivised investments such as [Enterprise Investment Schemes](#) and [Venture Capital Trusts](#).
- **Keep you straight** – most wealth managers can offer you 24-hour, online access to your portfolio valuations and will send you reports at least twice a year so you know exactly where you stand with your finances.

## How Can We Help You to Find Your Best Wealth Manager?

It's really easy. Visit the [www.findawealthmanager.com](http://www.findawealthmanager.com) website and complete the online questionnaire. Drawing on the answers and facts you've provided, we'll then introduce you to up to three wealth managers. Best of all, it's free and there's no obligation whatsoever. We would encourage you to have an exploratory call so that each wealth manager can tell you about the services they offer and how they might be able to help you. It's so simple, and our clients often tell us it has transformed their attitude to finance and helps them sleep better at night, knowing their money is being safely managed.

Our Find A Wealth Manager service has been developed to help you navigate the confusing, often opaque industry to get your wealth working harder. Our two step process matches your investment and personal aspirations to the right professionals saving you time, money and confusion.

***Find the Best Firms, Access the Right Professionals, Get the Best Deal***

Get Started

<sup>1</sup> There are two types of financial adviser. An *independent* financial adviser (IFA) can introduce you to advice and products from the whole of the market. A *tied* or *restricted* adviser will be restricted in the providers they look at – they may be limited specifically to their own parent firm's products, for instance.

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 you meet your best placed manager.

**Click the box below for the service you require.**

<p><b>READY TO GO</b></p> <p>Use our configurator to get matched to wealth and investment management firms and have our team provide tailored introductions</p>	<p><b>FIND OUT MORE</b></p> <p>Use our information centre packed full of guides, articles and eBooks to increase your knowledge and specific areas of interest</p>	<p><b>GET IN TOUCH</b></p> <p>Our team of experts have a combined 70 years industry knowledge. We are straight talking, impartial and there is no obligation</p>
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