

Margins Under Pressure in Family Wealth Advisory Market

FOX study highlights impact of growing competition and client complexity

CHICAGO, Sept. 1, 2007 – Despite an escalating client population and increased demand for advisory service, many wealth advisors find profit margins limited by the operational challenges of serving the ultra-wealthy market, according to a new study by Family Office Exchange, a Chicago-based provider of research, education and advice to families of exceptional wealth.

“By any standard, it is clear the wealth advisory business has arrived,” says John Benevides, president of Family Office Exchange (FOX). Today, the number of self proclaimed multi-family offices almost certainly tops the century mark, doubling in number from the 40 to 50 firms that existed in the early 1990s.

However, the independent advisory firms, large private banks, trust companies and brokerages attracted by the prospect of steady wealth creation and low barriers to entry are finding that meeting the complex and expanding needs of ultra-wealthy clients in a profitable manner is challenging. FOX researchers found that beyond personnel and technology costs spiraling upward, firms are struggling to perfect their operations across a number of different areas, from client selection to service offering to pricing.

“The firms that are poised for greatest success recognize that integrated wealth advisory is a developing business – distinct from investment, private banking, financial planning and trust – that requires its own set of operational practices,” Benevides says.

These firms are adapting legacy business practices to the demands of a new service model that emphasizes advice rather than product or, in some cases, establishing new business practices—across client selection, team structure, service definition, pricing and more—to keep pace with a dynamic client base.

Although the challenges are significant, FOX remains optimistic about the potential of the wealth advisory business and the prospects for margin expansion in coming years.

About Family Office Exchange

Family Office Exchange (FOX) is the definitive source of information and best practices associated with the business of managing family wealth. The strength of the FOX network is derived from the collective knowledge and experience of FOX members and professional staff. Since 1989, FOX has made solutions accessible to financial families by fostering dialogue among wealth owners, family office executives and wealth advisors. For more information about FOX, call 312-327-1200 or visit www.familyoffice.com.

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