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Futurewealth Report Explores Link Between Expense and Value in Wealth Management Relationship Model

According to an SEI Report, America's Next Generation of Wealthy Are Redefining Price and Value With Regard to the Wealth Management Fee Structure

OAKS, PA -- (Marketwired) -- 10/28/15 -- "[Recalibrating Value in Wealth](#)," a report released today by [SEI](#) (NASDAQ: SEIC), Scorpio Partnership and NPG Wealth Management, uncovers that America's next generation of wealthy require changes to how they pay for advisory services in the future. The report examines how America's emerging wealthy, the Futurewealthy, weigh price and value with regard to wealth management fees. As the next generation of America's wealthy grow and differ from those before them, wealth managers must continue to evolve in order to meet the preferences of the Futurewealthy.

"The Futurewealthy bring to the table new requests, different preferences and alternative needs as compared to those before them," said [Al Chiaradonna](#), Senior Vice President, [SEI Wealth Platform\(SM\)](#), North America Private Banking. "The traditional wealth management relationship model is challenged by these evolving needs and wealth managers are expected to deliver on value in order to deepen the relationships they have with their clients."

The Price of Value

Some may assume that, as some of the world's wealthiest individuals, America's Futurewealthy are indifferent about price and do not view cost for value as an important decision in the services provided by their wealth manager, however, this is not the case. Delivering on value is one of the most important aspects of management that wealth managers must consider in order to deepen engagement with their clients. While the majority of America's Futurewealthy (84 percent) strongly agree they are receiving high-quality value for their money, the way they allocate their money to advisory services is fundamentally different. Currently, Futurewealthy use a variety of fee formats to compensate their money managers -- and they have strong opinions about how those fees should be distributed within the wealth management organization. When asked to allocate the fees they pay to different parts of their wealth experience, the Futurewealthy focused overwhelmingly on their relationship manager, choosing to allocate almost two-fifths of their

whole fee to this trusted advisor; with the remainder going to the firm (20 percent), internal specialists (14 percent), supporting technologies (13 percent) and support staff (13 percent).

Given technology's growing, integral role in wealth management, there is a remarkable generational divide when it comes to preference for allocating fees toward technology. The youngest Futurewealthy, those under 40 years old, chose to allocate nearly 20 percent of their total wealth fee to supporting technologies, while only 12 percent of Futurewealthy over the age of 40 felt the same.

"It's interesting that in most cases the majority of value is placed on the relationship manager and the firm. The Futurewealthy are clearly most appreciative of the service they receive and the brand of the firm delivering it. There is a huge opportunity for wealth managers to capitalize on this growing trend by embracing technology," said Chiaradonna. "Technology can enable wealth managers to broaden their capabilities and automate low value activities, while putting additional resources into strengthening their brand and their relationship managers. Additionally, the expectations of younger Futurewealthy will encourage wealth managers to grow their capabilities and further integrate technology into the client experience."

Evolving an Antiquated, Isolated Payment Structure

When it comes to fee structure, the current most common choice among America's Futurewealthy is a traditional fee model, a percentage fee based on advised assets. More than one-third (35 percent) of America's Futurewealthy use this model, and preference towards this model is consistent across generations. However, when it comes to comparing preference for a fixed-fee versus a time-based, or hourly fee, there is a large generational divide. While 34 percent of the youngest Futurewealthy currently prefer a fixed-fee model, preference for this model decreases with age. Less than one-quarter (22 percent) of emerging wealthy aged 40 to 49, 10 percent of 50 to 59 year-olds and only 5 percent of those aged 60 and older currently prefer a fee-based model. Likewise, while 16 percent of the youngest Futurewealthy prefer a time-based fee model, only 4 percent of their older counterparts, aged 40 and above, prefer this option.

Despite today's preferences, within the next five years, the Futurewealthy acknowledge that they would like their payment structures to evolve to better reflect their engagement with a firm. On average, 72 percent said they do not want to pay for their advisory services using a percentage of their current assets, though 40 percent of respondents currently pay this way. Instead, they want to shift to more predictable fee formats, such as time-based and fixed-rate structures. In fact, 14 percent currently pay using a fixed-fee format, however, 18 percent noted they would prefer to pay a fixed rate in the future. Additionally, while 5 percent of Futurewealthy currently pay using a time-based structure, 7 percent said they would like to pay with this structure in the future.

Reshaping the Relationship Management Model

Relationship managers are challenged in a new way when approaching the needs of the youngest Futurewealthy, as they expect and require a different type of service than their older counterparts. When comparing the needs of the youngest Futurewealthy to their older counterparts, the younger Futurewealthy believe they need stronger guidance, more tools and more information to make informed investment decisions. While almost half of the youngest Futurewealthy believe stronger communication between their relationship manager and firm is a necessity, only 25 percent of those aged 60 and older share the same sentiment. Beyond needing additional guidance, almost half of the youngest Futurewealthy also acknowledge that they currently do not have the tools they need or the information they

need to make informed decisions, while only one-fourth of their older counterparts feel the same.

"It is clear that the value the new generation of Futurewealthy is receiving from their advisors has a significant impact on their engagement with a firm," said [Kevin Crowe](#), Head of Solutions, [SEI Advisor Network](#). "As advisors adapt to new generations of Futurewealthy, they will need to offer more flexibility in how they deliver value, as clients are now seeking to refine how they pay for advisory services going forward and redefine how they value those services."

This paper is the fourth and final paper in a four-part series delving into the findings of The Futurewealth Report 2015, which maps the journey of the world's up-and-coming wealthy with their wealth manager. The [first report](#) examined the core functions of the relationship manager, while the [second report](#) examined the importance of the relationship manager. The [third report](#) uncovered the divide between generations with regard to wealth management, and outlined the industry evolution needed to support the youngest Futurewealthy. For more information, please visit www.seic.com/2015Futurewealth4.

Methodology

The 3,113 respondents from around the world who were polled for the survey have an average net worth of \$2.7 million today and represent the up-and-coming demographic that will make up the ultra-high-net-worth investors of tomorrow.

About the SEI Wealth Platform(SM) The SEI Wealth Platform (the Platform) is an outsourcing solution for wealth managers encompassing wealth processing services and wealth management programs, combined with business process expertise. With the Platform, SEI provides wealth management organizations with the infrastructure, operations, and administrative support necessary to capitalize on their strategic objectives in a constantly shifting market. The SEI Wealth Platform supports trading and transactions on 131 stock exchanges in 50 countries and 35 currencies, through the use of straight-through processing and a single operating infrastructure environment. For more information, visit: seic.com/wealthplatform.

About The SEI Advisor Network

The SEI Advisor Network provides financial advisors with turnkey wealth management services through outsourced investment strategies, administration and technology platforms, and practice management programs. It is through these services that SEI helps advisors save time, grow revenues, and differentiate themselves in the market. With a history of financial strength, stability, and transparency, the SEI Advisor Network has been serving the independent financial advisor market for more than 20 years, has over 6,100 advisors who work with SEI, and \$48.7 billion in advisors' assets under management (as of September 30, 2015). The SEI Advisor Network is a strategic business unit of SEI. For more information, visit seic.com/advisors.

About SEI

SEI (NASDAQ: SEIC) is a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of September 30, 2015, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$638 billion in mutual fund and pooled or separately managed assets, including \$245 billion in assets under management and \$393 billion in client assets under administration. For more information, visit seic.com.

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