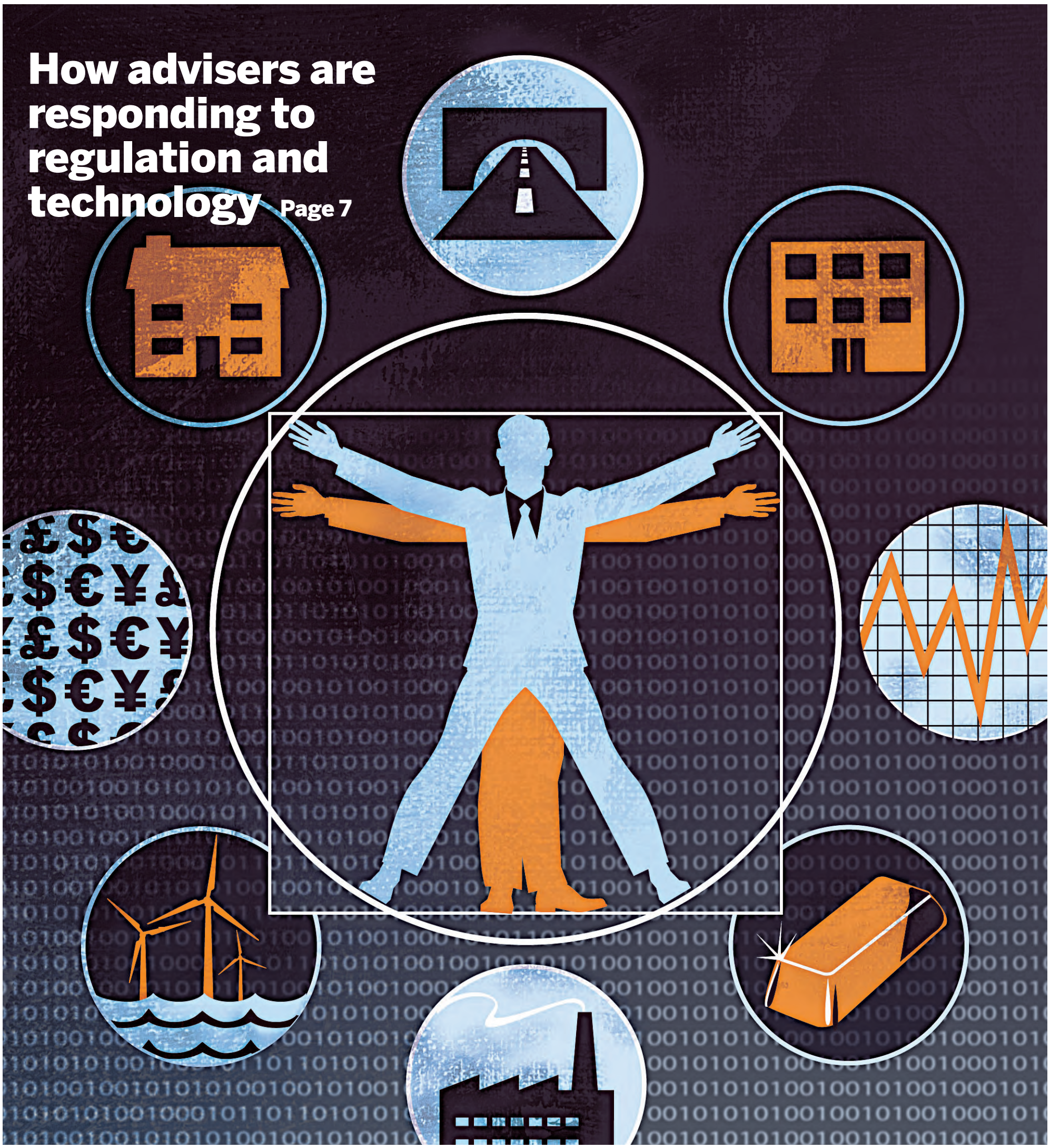
Private Client Wealth Management

An FT Money Guide

How advisers are responding to regulation and technology Page 7



FT Graphic: LloydThatcher

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Havens lose their appeal as prices fall

Risk

Gold in particular is down almost a third since 2011, writes *Adam Palin*

As returns on low-risk investments have continued to fall, the role of the wealth manager looking to preserve wealth has become even more challenging, with many increasingly forced into riskier or less liquid asset classes.

With cash interest rates at persistently low levels and gold prices almost a third down on their 2011 peak, many traditional safe havens have either lost their appeal or look too expensive.

At the start of 2014, many thought that the 30-year bull market in government debt was drawing to a close. But the bull is dying a slow death – yields on government bonds (which move inversely to prices) have fallen so far this year.

While UK benchmark 10-year bonds yields remain well below 3 per cent, Dutch government debt yields are at their lowest since 1617.

"It's difficult to own cash or low-yield bonds when the returns are so low – even below controlled inflation," says Chris Kenny, investment management partner at Smith & Williamson. "It can stop being low risk to become a certain net loss."

Investors hungry for inflation-beating returns have been moving towards more risky investments such as corporate bonds and high-yield bonds – which are currently trading at a very low premium to government bonds, notes James Maltin, investment director at Rathbones.

He believes these investments are relatively illiquid and do not offer enough reward for the level of risk that they carry.

'There is potential for inflationary risks because of the increase in money supply'

James Maltin, Rathbones

Greater tolerance for risk is exemplified by record low average yields on contingent convertible bank bonds, or "cocos", which can be converted to equity or be written down altogether when a bank's capital position is judged to be too low.

"We are slightly fearful that yields offered on these bonds are getting so low that they appear lower risk to investors," says Justin Oliver, investment director at Canaccord Genuity Wealth Management.

Investors concerned with chasing income often do not fully understand the risks that their investments are exposed to, says George King, UK head of portfolio strategy at RBC Wealth Management.

"Risks are being artificially injected into portfolios to shift towards dividend-paying equities, which have a fundamentally different risk profile [to fixed-income investments]."

Although stock markets have delivered stellar share price returns for investors over the past five years – the FTSE 100 is up by about 50 per cent – equities are often seen as too volatile for many risk-averse investors.

They have also become relatively expensive, according to many managers. "Of concern is what has driven increases in share prices over the past year – it is not earnings growth," says Mr Kenny. As price-to-earnings ratios have risen, all future growth has been priced in, he adds.

Gains have also been disproportionately concentrated among small and mid-cap shares, which are riskier than large-caps.

In this climate, investors concerned primarily with capital preservation would appear to have few options. But one option that is often overlooked, says Mr Maltin, is index-linked bonds, which theoretically offer investors no credit risk.

While yields on UK index-linked 10-year government bonds are currently less than the retail prices index – the chosen measure of inflation – real returns are protected from any rises in inflation.

"Although few think that inflation is set to take off . . . there is potential for inflationary risks because of the increase in money supply over the past few years," said Mr Maltin.

"The ultimate test later this decade will be to protect clients' wealth against the ravages of inflation generated by ultra-loose monetary policies," says Tom Becket, chief investment officer at PSigma.

While this insurance comes at a price – final returns are guaranteed to be below RPI – Mr Maltin notes that different people have their own rate of inflation, depending upon their lifestyle. For many investors, therefore, index-linked bonds will be more attractive than others.

For risk-averse investors who also require an income from their portfolio, there are even fewer options.

Property is a traditional port of call for investors looking to invest in "real" assets with a degree of inflation protection, and indeed UK property – particularly residential – has delivered strong returns over the past couple of years.

But some question the housing market's seeming invulnerability. "There is the pervasive impression that over time [property] will always go up because of the 'scarcity effect'," says Mr King. "This mindset prevails regardless of market fundamentals."

There has recently been evidence that the top end of the property market, particularly in London, has begun to cool.

Commercial property prices did not recover so quickly from the financial crisis as residential ones, and some believe it offers a reasonable balance of risk and reward.

Aviva Investors recently increased its 2014-18 forecast annual average return from commercial real estate to 8.9 per cent from 6.5 per cent, on the basis of strong international demand and a recovering UK economy.

Many managers highlight the attractiveness of infrastructure funds, which tend to deliver stable inflation-linked returns in line with the long-term contracts of the underlying assets.

The appeal of listed infrastructure funds has led to significant premiums in their share prices, however. Two of the largest listed funds, 3i Infrastructure and HICL Infrastructure, are trading at more than 10 per cent higher than their respective net asset values.

Above all, the consensus among managers is that the safest approach to preserve wealth is to diversify portfolios.

"The only safe haven approach is to diversify your investments and to ensure that aggressive bets are kept to a minimum in uncertain conditions," says Mr Becket.

Investment allocation

Organisation	Current asset allocation of the average balanced portfolio invested on behalf of UK private clients (%)									Current asset allocation of the average capital growth portfolio invested on behalf of UK private clients (%)								
	Cash	Equities	Bonds: Corporate	Bonds: Government	Property	Private Equity	Hedge Funds	Commodities	Other	Cash	Equities	Bonds: Corporate	Bonds: Government	Property	Private Equity	Hedge Funds	Commodities	Other
Adam Investment Management	2	53	12	17	3	0	0	0	13	2	95	0	0	3	0	0	0	0
Arbuthnot Latham	1	74.5	9	0	0	0	12.5	0	3	1	86	0	0	0	0	10	0	3
Ashcourt Rowan	2	45	18	10	5	0	20	0	0	2	67	11	4	4	0	12	0	0
Barclays Wealth	3	48	11	15	4	0	14	5	0	3	59	8	8	6	0	10	6	0
Berry Asset Management	4	60	0	9	10	0	0	3	14	2	80	0	5	6	0	0	3	4
Brewin Dolphin	2	35.5	9.5	39	2.5	0	0	0	11.5	2.5	77	5	9	2.5	0	0	0	4
Brooks Macdonald Asset Management	5	42	25	0	6	0	9	0	13	3	62	15	0	4	0	6	0	10
Brown Shipley	5.56	62.78	8.75	10.83	3.49	0	8.15	0.44	0	8.04	74.49	4.16	3.85	2.19	0	6.65	0.62	0
C Hoare & Co.	2.8	59.7	0	23.5	4.2	0	0	0	9.8	3	76.4	0	9.8	2.5	0	0	0	8.3
Canaccord Genuity Wealth Management	4.5	70.6	5.3	12.6	0	0	2.1	1.4	3.5	4.4	79.9	0	7.8	0	0	1.9	1.3	4.7
Cazenove Capital Management	8	50	12	8	5	0	10	0	7	8	70	6	2	2	0	8	0	4
Charles Stanley Group	0	88	6	4	0	0	0	2	0									
Citi Private Bank	0	50	50	0	0	0	0	0	0	0	70	30	0	0	0	0	0	0
Duncan Lawrie Private Bank	0	62	22	0	5	0	0	0	11	0	76	14	0	3	0	0	0	7
Equilibrium Asset Management	7	47	13	0	25	0	0	0	8	7	72	0	0	13	0	0	0	8
GAM	5	53	22	0	0	0	14	0	6	3.8	74.7	0	0	0	0	8.6	0	12.9
GHC Capital Markets	0	30	15	35	20	0	0	0	0	0	65	25	0	10	0	0	0	0
Greystone Financial Services	1	76	15	0	0	0	0	0	8	2	98	0	0	0	0	0	0	0
Heartwood	17	60	8	4	3	1	7	0	0	8	82	3	0	5	2	0	0	0
Ingenious Asset Management	4.5	56	10	3	6.5	0	0	1	19	5	73	6	1	5	0	0	0	10
Investec Wealth and Investment	6	41	7	31	7.5	0	5.5	0	2	3	67	5	11.5	5.5	0	4	2	2
Investment Quorum	5	70	10	10	5	0	0	0	0	0	75	8	5	8	0	0	0	4
James Brearley & Sons	3.5	56.5	11	19	0	0	0	0	10	1.5	78.5	6	7.5	0	0	0	0	6.5
James Hambro & Partners	5	55	25	0	3	0	7	5	0	5	70	15	0	5	0	5	0	0
JM Finn																		
Julius Baer International	2	53.2	5.2	20.1	2.2	0	2.5	0	14.8	5.1	73.6	0	1	2.8	0	4.5	0	13
Killik & Co	0	75	18	0	0	0	4	0	3	0	90	0	0	0	3	4	0	3
Kleinwort Benson	4	60	14	15	7	0	0	0	0	4	78	8	4	6	0	0	0	0
London & Capital	0	40	0	55	0	0	0	5	0	0	60	0	40	0	0	0	0	0
McInroy										1	80	0	19	0	0	0	0	0
Nutmeg	1	60	36	0	3	0	0	0	0	1	82	13	0	4	0	0	0	0
PSigma Investment Management	7.5	46.5	25	5	0	0	0	5	11	2.5	57	17.5	5	0	0	0	6	12
Rathbones Investment Management										2	84	3	3	0	0	8	0	0
RBC Wealth Management	2.4	35.2	7.5	18.9	3.2	0	10.4	2.4	20	2.6	45	3.7	12.4	3.4	0	11.6	2.5	18.8
Redmayne-Bentley	6	82.8	7.6	0	0	0	0	0	3.6									
Rothschild Wealth Management	9	65	0	11	0	0	10.5	4	0.5	5.3	74	0	4	0	0	12	4	0.7
Ruffer	8	46	0	27	0	0	1	4	14									
Saunderson House Limited	11.5	49.5	19.5	8.5	11	0	0	0	0	3	66	11	6	14	0	0	0	0
Smith & Williamson	2	67	14	10	5	0	0	0	2	2	84	4	2	0	0	0	0	8
SGPB Hambros	1.5	54	24	0	4.98	0	8.02	0	7.5	3	75	5	0	0	0	17	0	0
Standard Life	10	60	15	15	0	0	0	0	0	5	75	10	10	0	0	0	0	0
Stanhope Capital	12	42.5	19	0	0	0	17.5	3	6	6	60	9	0	0	7	10	3	5
Tilney Bestinvest	3.5	41	32.2	0	8.5	0	11.5	3.3	0	2	63	17.5	0	2.5	0	12	3	0
UBS Wealth Management	5.78	52.22	18.3	23.7	0	0	0	0	0	5.19	71.47	10.17	13.17	0	0	0	0	0
Vestra Wealth	7.1	60	15	5	7.5	0	5.4	0	0	5.85	68.08	13.7	0	4.04	0	8.33	0	0
Waverton Investment Management	3	51	11	11	5	0	10	5	4	2	68	7	9	2	0	5	5	2
Average	4.4	55.5	14.1	11.1	4.1	0.0	4.4	1.2	5.2	3.1	73	7.0	4.8	3.0	0.3	3.9	0.9	3.6
Max	17	88	50	55	25	1	20	5	20	8.0	98	30	40	14	7	17	6	19
Min	0	30	0	0	0	0	0	0	0	0	45	0	0	0	0	0	0	0

Source: Ledbury Research

What worries managers

Last year and this, we asked wealth managers what they thought posed the biggest risks to clients' portfolios in the coming year, **writes Jonathan Eley**.

Last year's research was conducted just as the then-chairman of the Federal Reserve, Ben Bernanke, was thinking out loud about reducing the Fed's purchases of Treasuries and mortgage-backed securities. No surprise, then, that "tapering" was among the chief concerns, although more problems in the eurozone was cited by even more advisers.

Europe has fallen sharply as a concern, as has inflation following falls in the headline rates of price growth in the UK.

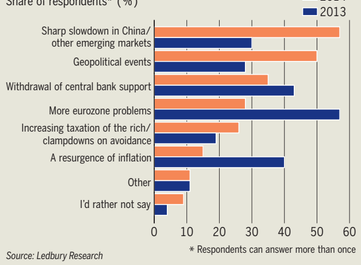
Two things have shot up the risk agenda.

One is geopolitics, with renewed instability in Iraq following a spring of upheaval on Europe's eastern fringes.

The other is China, as the authorities in the world's most populous nation fight to rein in the excesses of a huge stimulus operation while embarking on a plan to switch the economic emphasis from exports to domestic consumption.

What are wealth managers concerned about?

Share of respondents* (%)



*Respondents can answer more than once

Source: Ledbury Research

Gold is significantly lower in price than before the recession

Bloomberg

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Investment manager moved company?

Portfolio thresholds leaving you out in the cold?

Being forced into model portfolios?

Wealth manager changed its name?

Not getting value for money?

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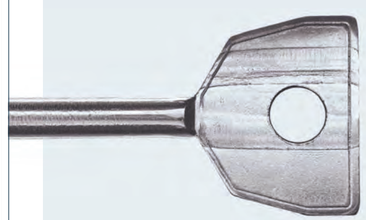

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Pass it on – generational planning

Inheritance

Making wealth last for generations to come is possible but challenging, writes *Moira O'Neill*

One of the greatest transfers of wealth in history is under way as baby boomers – defined in the UK as those born between 1946 and 1964 – begin to pass on wealth to their children.

Wealth managers report a strong increase in "generational" wealth management, fuelled in part by rising property values and a desire from clients to make sure that wealth is transferred and managed effectively. Most wealthy individuals want to make their money last for generations to come.

David Austin, managing director and head of financial planning at Cazenove Capital Management, says: "The trick of passing assets to the children is one thing. Second is a desire to protect the bloodline. The third concern is your children's children. An element of control 20-30 years after your death is not impossible to achieve. We call this generational planning."

According to a study by Merrill Lynch, however, family wealth frequently fails to outlive the generation following the one that created it. This is partly because many people have unrealistic notions about what constitutes a sustainable spending strategy should they want their wealth to last for several generations. Two out of five people surveyed by Merrill Lynch believed a portfolio could last forever with an annual distribution rate of 6 per cent or more. In reality, data suggest that even for the wealthiest families, true wealth sustainability may require an average distribution rate as low as 2 per cent per year.

Family fortunes: making wealth last

The simplest way to pass on assets is to gift them to children during your lifetime, using exemptions under inheritance tax rules. But wealth managers say parents worry about the relatively high incidence of divorce and the potential for gifted assets to form part of a divorce settlement.

Nick Gartland, senior financial planning director at Investec Wealth & Investment, says: "When it comes to passing on money and investments to children, particularly during a person's lifetime, one key concern is that the children may spend it quickly and in ways that the parents may not fully approve of."

> 'You can write specific rules for the discretionary trust – the more explicit the better'

One way around this is to place assets into trust. The most basic trust is the absolute or bare trust. But as the child becomes absolutely entitled to the assets in the trust at age 18 or 21, this is not suitable for parents who are concerned their children will inherit too much too young.

Baby boomers who want to leave a longer lasting legacy can use the annual stakeholder pension allowance of £3,600 to pay into an arrangement for each child or grandchild. The contribution will enjoy basic rate income tax relief, meaning a net cost of just £2,880. But under current pension rules the child or grandchild will not be able to access the pension until age 55.

A structure that affords more control is the discretionary trust. "This can allow parents and other trustees to control how the investments are managed and paid to beneficiaries," says Mr Gartland. "The trust could perhaps only allow children access to a certain level of income and capital until it is felt they can have full access to the monies."

Trusts can continue for many years and over several generations. They have a perpetuity period of 125 years. Mr Austin says: "You can write specific rules for the trust – the more explicit the better, and choose who the trustees are. You could also write an expression of wishes."

Parents could set up an arrangement where the capital is preserved for future generations, but they still enjoy a regular income from the investments. However, many prefer to do it the other way around: forsake the future growth and income from the capital, while keeping access to the original money.

A trust can also be set up to lend money to the next generation. If a family member gets divorced, the trust then calls the money back.

Mr Austin says that Family Investment Companies (FICs) are becoming much more prevalent in generational planning.

This vehicle is simply a private company whose shareholders are members of the same family, and whose memorandum and articles of association can be drafted to suit the family's needs. FICs can be more tax efficient than trusts – for example, they do not suffer the six per cent 10-yearly inheritance tax "periodic charges" applicable to trusts.

"If we go into a high inflationary environment they are really good on indexation relief," says Mr Austin.

Moira O'Neill is personal finance editor at Investors Chronicle

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Opportunity for managers as pension reforms loom

Pension reforms will come into force in April 2015 Alamy

Retirement

Greater flexibility could create fresh demand for guidance, writes *Josephine Cumbo*

Wealth managers are adapting their business models following a shake-up of pension rules that is expected to lead to big changes in the way savers approach their retirement planning.

In March, chancellor George Osborne announced sweeping reforms which will usher in an era of flexibility and choice for millions of pension savers.

The ability to take lump sums from pension funds, without punitive tax charges, is currently restricted to the wealthiest, who are eligible for flexible drawdown, and those with smaller pension pots, who qualify for "trivial commutation".

Under Mr Osborne's changes, anyone aged 55 and over will be able to access savings built up in a defined contribution pension as cash, with the lump sum taxed at their marginal rate. This is expected to transform the way Britons think about retirement savings and how they will draw on their income.

While pension investors in flexible drawdown have had the choice to take their entire pot as cash, wealth managers expect the reforms to prompt changes in their approach to retirement planning.

"We will see a more flexible, bespoke approach to retirement," says Chris Aitken, head of financial planning with Investec Wealth and Investment. "This will reflect the evolving needs of the retiree as they shape their working lives. We expect to see client outcomes made up of a number of 'product decisions' at a number of advice points throughout the typical retirement life cycle."

Dovetailing pension arrangements with other investment vehicles could become a more prominent part of discussions with clients, say wealth advisers.

"Pensions will be seen as another form of savings vehicle, alongside individual savings accounts, but with both tax-relievable contributions and growth within a highly tax efficient wrapper," says Matt Hawkins, financial planning director of Rathbones.

He added that reduced lifetime and annual pension contribution allowances mean planners and clients must think carefully about other allowances, such as the higher tax-free limit on individual savings accounts.

"In the earlier years clients may require a varying income or lump sums to repay debt or to fund a more active lifestyle or to assist children. Later in the retirement cycle clients may need more certainty and guarantees and will therefore look at more secure pension arrangements, possibly an annuity-based vehicle."

Mr Hawkins feels that annuities will still be right for some clients, especially those who want some level of certainty over part of their retirement income.

The business model of a wealth manager provides advice to clients as they need it. But changes to tax rules, announced in tandem with the Budget reforms, are also expected to increase the role of wealth managers in holistic planning for clients.

Among the changes are proposals to scrap the tax charge of 55 per cent on lump sum death payouts on crystallised pension funds for those over 75, possibly reducing it to the same level as inheritance tax (currently 40 per cent). This may act as an incentive for clients to retain their assets within the tax-favourable pension environment.

"Of course, estate planning advice often overlaps with retirement planning, and this will allow clients an opportunity to consider how best to pass funds on tax efficiently to dependants and consequently, help determine how they should be managed from an investment perspective," says Steve Wood, a wealth adviser at Canaccord Genuity Wealth Management.

The reforms prompted a big swing away from annuities as tens of thousands approaching retirement wait for next April to take advantage of their new freedoms. This shift is expected to open frontiers for wealth managers, as savers with more modest funds may also be looking to access drawdown, potentially lowering the cost of entry as it becomes a mass market option.

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Improved service comes at a price

Client survey

Wealth managers are performing better but charging more, reports *Stuart Rutherford*

This year's survey reveals a very different wealth management industry from last year's. Many changes, whether led by regulators or management, have been sold as in the interests of clients. But what do clients really think of them?

We have drawn on the results of our annual survey of 500 wealthy individuals who use a wealth manager to assess their reception among UK high net worth individuals (HNWIs).

Changing service models. In the wake of regulation and cost pressures, numerous providers have changed their required levels of client wealth, and adapted service models to make more commercial sense.

A like-for-like comparison of results from 2013 and 2014, shows that the minimum level of assets for advisory services has risen by an average of 14 per cent, and for discretionary by 6 per cent.

While potentially disruptive to affected individuals, this has not materially soured relations between wealthy investors and the industry. Our tracking of key disappointments among HNWIs over the past year shows levels have remained static. Having said that, what the industry has not been able to do oflate is meaningfully impress its clients.

More advisers. After the falls seen last year, there has been a like-for-like increase of 9 per cent in the number of advisers this year. This is good news from the perspective of wealthy clients, particularly when adviser numbers are growing faster than client numbers, since it allows them to spend more time with clients. This investment helps account for the improved client satisfaction towards advisers, which rose noticeably in 2014, with 66 per cent (62 per cent) of clients now satisfied with their main contacts.

Better investment performance. HNWIs were generally pleased by the industry's performance in the past year. When asked what impressed them, financial gain was the clear leader.

Rising fees. The industry is charging clients more for its services. The fee tariff for discretionary services for portfolios worth £500,000 is up on average by 7 per cent, and 12 per cent for portfolios of £3m.

While improved investment performance has made these rises more palatable, higher fees have been noticed by some clients. Our research finds that increases and changes to fee structures have become more of a concern among disillusioned clients, especially the most wealthy individuals.

Stuart Rutherford is research director at Ledbury Research

Performance

Wealth manager	Returns on averaged balanced portfolio (%)					Returns on average growth portfolio (%)				
	Over 1 year	Over 3 years (cum)	Over 5 years (cum)	ARC measure	ARC verified	Over 1 year	Over 3 years (cum)	Over 5 years (cum)	ARC measure	ARC verified
Adam Investment Management	12.03	23.2	61.76	X	X	19	30.1	92.5	X	X
Arbuthnot Latham	17.65	19.79				19.94	20.78	73.85		
Ashcourt Rowan	11.3	17		X	X	15.7	20.8		X	X
Barclays Wealth	10.11	15.41	53.6			13.59	16.87	60.59		
Berry Asset Management	11.4	19.7	54.5	X	X	15.9			X	X
Brewin Dolphin										
Brooks Macdonald Asset Management	10.4	17.9	50.9	X		12.8	18.2	57.3	X	X
Brown Shipley	10.39	16.95	50.2	X		12.12	16.1	56.05	X	
C Hoare & Co.	10.49	17.83	53.01	X	X	15.16	23.11	65.24	X	X
Canaccord Genuity Wealth Management	10.92	20.61			X	16.95	19.44			X
Cazenove Capital Management	11.2	20.5	49.6	X	X	14	24.1	62.8	X	X
Charles Stanley Group		39	26							
Citi Private Bank	5.92	15.13	54.47	X		7.39	14.83	63.71	X	
Duncan Lawrie Private Bank	10.66	19.43	50.96	X	X	11.85	19.48	59.68	X	X
Equilibrium Asset Management	13.5	21.7	58		X	14.9	20.2			X
GAM	13.85	19.52	49.33			19.87	26.22	59.09		
GHC Capital Markets	6.16	9.91	32.85	X	X	9.25	7.97	50.11	**	X
Greystone Financial Services	11.5	19.6	62.8		X	14	17.4	78.8		X
Heartwood	14.1	18.8	57.6		X	20.1	22.7	76.4		X
Ingenious Asset Management	6.7	12.6	44.9	X	X	8.4	14.7	57.2	X	X
Investec Wealth and Investment	11.9	19.9	59.3	X	X	15.4	22.9	68.1	X	X
Investment Quorum	15.54	18.98	65.39			19.78	26.51	71.54		X
James Brearley & Sons	12.06	21.15	51.04		X	16.36	25.69			X
James Hambro & Partners	13.37	19.66		X	X	15.37	22.55			X
JM Finn	15.3	24.6	73.6			15.4	20.9	72		
Julius Baer International	10.7	18.1	53.2	X		16.6	22.6	72.5	X	
Killik & Co										
Kleinwort Benson	9.99	17.58		X	X	11.87	16.2		X	X
London & Capital	14.5	38.6				21.6	53.6			
McInroy						11.4	21.8	75.4		X
Nutmeg	14.5				X	18.31				X
PSigma Investment Management	10.84	16.23	46.31	X	X	14.75	20.41	57.9	X	X
Rathbones Investment Management	11.69	20.77	56.98		X	14.93	23.95	72.37		X
RBC Wealth Management	9.83	16.57	46.16	X	X	13.02	19.52	57.99	X	X
Redmayne-Bentley	17.79	32.39	73.03							
Rothschild Wealth Management	12.69	18.14	53.19		X	15.63	19.91	65.62		X
Ruffer	11.1	17.7	53.1	*	X					
Saunderson House Limited	11.8	19.7	53.6	X	X	16.4	23.6	68.8	X	X
Smith & Williamson	8.49	17.47	55.3	X	X	16.59	27.3	82.72	X	X
SGPB Hambros	4.65	14.57	54.99			7.5	18.6	60.25		
Standard Life	9.14	15.15	45.7	X	X	17.42	22.82	66.55	X	X
Stanhope Capital										
Tilney Bestinvest	10.2	17	55.7	X	X	13.4	18.8	62.3	X	X
UBS Wealth Management				X					X	
Vestra Wealth	14	19.4		X		14.99	19.79		X	X
Waverton Investment Management	11.41	14.61	48.76	X	X	14.68	18.16	61.75	X	X
Average	11.3	19.6	53.2			14.9	21.6	66.5		
Max	17.8	39	73.6			21.6	53.6	92.5		
Min	4.65	9.91	26			7.39	7.97	50.11		

Notes
* Only the 1-year returns are on the ARC measure ** Only the 1 and 3 year returns on the ARC measure. In order to make the portfolio data collected even more robust and comparable, respondents had the option this year of having figures for balanced and capital growth portfolios verified by ARC, a leading investment consulting practice. Where they agreed to this, and the numbers were subsequently verified by ARC, this is indicated in the 'ARC verified' column. A blank cell means the company declined to provide a figure. Averages are calculated based on the total responses given. This year, we defined the indicative volatility ranges (calculated on a 3 year annualised basis) of the average balanced and capital growth portfolios, these ranges are 4 per cent to 6.5 per cent for the balanced and 6.5 per cent to 9 per cent for growth. Source: Ledbury Research

From oak-panel offices to apps

Advisers

Regulation and technology change the industry, writes *Jonathan Eley*

The worst banking crisis in living memory, followed by the kind of regulatory upheaval not seen since the "Big Bang" of the 1980s, has forced wealth managers to adapt their strategies and business models. But in some ways, what has not changed is as notable as what has.

Perhaps the most obvious consequence of the credit crunch and the retail distribution review (RDR) has been the withdrawal of high street banks from the wealth management space.

Most talk of product offerings for the "mass affluent" has ceased, with HSBC, Santander and Lloyds fined for giving unsuitable advice to investors via branch-based advisers. While Barclays, Lloyds, Royal Bank of Scotland and HSBC have private banking operations, they typically cater to much wealthier clients.

This year, Barclays said it would no longer offer full-service private banking to clients with less than £500,000. During 2013 it scaled back international exposure and made about a third ofits UK private banking roles redundant.

Traditional stock broking has also changed, increasingly polarising into discretionary and execution-only services, with fewer firms now offering advisory broking (where the broker gives advice, but the final decision on trading is taken by the client). Both Brewin Dolphin and Rathbones have largely ceased to offer it, while Charles Stanley increasingly sees it as "more specialist; offered to relatively sophisticated investors".

"It is our perception that the Financial Conduct Authority's preference is for regulated firms either to look after client assets on a managed basis or via an execution-only service. This seems to be a trend across wealth management firms and is one that we cannot see reversing in the future."

Andrew Power, partner at accounting and consultancy group Deloitte, agrees that the lower end of the market has polarised into discretionary, advisory and execution only. "Wealth managers have got better at segmentation, in terms of knowing which are their most and least profitable clients. It's not just about amounts invested – they're drilling down into what other products they have and looking at 'share of wallet'," he says.

The chastening experience of the banking crisis, when the value of many managed portfolios fell sharply, also made many smaller operators in particular re-evaluate where they can add the most value.

"Many advisers realise they haven't got the expertise and are focusing on financial planning instead. Investment has got more complex and if you've got independent [as opposed to restricted] status it's a lot of work. It's easier to outsource," says Mr Power, noting a big increase in the use of risk-weighted model portfolios.

Perhaps inevitably, in an industry of venerable names, there has been no rush to adopt new technology; wealth management is still largely conducted face to face. "Discretionary wealth management is still a very personal business and we do like to meet our clients at the outset and at least once a year," says

22%

of clients thought of changing wealth manager

Charlotte Black, head of corporate affairs at Brewin Dolphin. "However, our clients are increasingly keen to get information such as valuations online."

That chimes with a recent survey of wealthy investors by Scorpio Partnership; it found that even tech-savvy under-45s still wanted a personal relationship, but with clever technology too. "The younger generation expects a wealth manager's technology to support the relationship . . . providing better access to products, improving information about markets and enhanced record keeping."

The study noted that technology has largely been regarded as a "back office" function for wealth managers. However, that could be about to change; of the firms surveyed by Ledbury Research for the FT this year, almost half (48 per cent) said they would be making further investments in web-based services in the coming year. However, only 11 per cent said they would be investing in mobile apps.

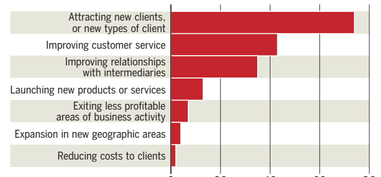
Mr Power points out that technological innovation at the bottom end is partly supply driven. "You just cannot provide advice in the traditional manner, so you need to cut costs and innovate," he says.

The personal touch helps justify wealth managers' fees, which have risen despite the use of clean share classes that do not pay ongoing commissions.

RDR has resulted in higher compliance costs, but so far managers have passed these on rather than absorbing them or merging with other firms to spread fixed costs across clients.

That seems to be prompting restlessness among clients; the Scorpio study found that while most wealthy clients thought RDR had been beneficial, 22 per cent had thought about changing their wealth manager during 2013.

What are wealth managers' business priorities?
2014 share of respondents* (%)



Source: Ledbury Research
* Respondents can answer more than once

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Money guide: Private client wealth management

Services

Organisation	UK offices	Number of advisors	Advisers joining in 2013	Active individual clients	Value of Advisory AuM (£m)	Value of Discretionary AuM (£m)	Investment products/services used	Discretionary Investment Management	Advisory Investment Management	Brokerage	Private Equity	Hedge Funds (including Fund of Funds)	Commodities	Tax Planning	Trust & Estate Planning	Pensions & Retirement Planning	Philanthropic Planning	Insurance	Banking	Mortgages	Other lending	Charity services	Offshore services	Concierge
Adam Investment Management	5	14	0	1,400	0	1200	Entire market	X						X	X	X	X		X	X		X	X	
Arbuthnot Latham	3	38	11	4,600	200	528	Entire market	X	X	X	X	X	X	X	X	X		X	X	X		X	X	
Ashcourt Rowan	17	75	10	11,000	3000	2300	Selected universe	X	X						X	X	X							
Barclays Wealth	28	449	0	40,000		13000	Selected universe	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X
Berry Asset Management	1	6	0	756	2	799	Entire market	X														X	X	
Brewin Dolphin	30	493	10	70,000	6000	22700	Selected universe	X	X					X	X	X	X					X	X	
Brooks Macdonald Asset Management	10	125	21	13,995		4543	Entire market	X	X	X												X	X	
Brown Shipley	5	59	4	5,870	326	2656	Entire market	X	X			X	X	X	X	X				X	X	X	X	
C Hoare & Co.	2	9	0	1,360		1050	Entire market	X						X	X	X	X			X	X		X	
Canaccord Genuity Wealth Management	4	118	6	12,900	3900	7000	Entire market	X	X	X			X	X	X	X	X						X	X
Cazenove Capital Management	7	87	0	5,414	818	20022	Entire market	X	X		X	X	X	X	X	X	X			X	X	X	X	X
Charles Stanley Group	33	550	40	95,000	5510	8020	Entire market	X	X	X				X	X	X								
Citi Private Bank	7	88	11	16,497	2810	16400	Entire market	X	X	X	X	X	X		X				X	X				X
Duncan Lawrie Private Bank	4	23	0	3,000	30	715	Entire market	X						X	X	X				X		X		X
Equilibrium Asset Management	1	6	1	613	71	272	Entire market	X	X					X	X	X							X	X
GAM	1	6	1	355	45.5	1223.7	Entire market	X			X		X											
GHC Capital Markets	2	9	0	3,000	46	334	Entire market	X	X	X														
Greystone Financial Services	2	20	1	4,300	761	227	Entire market	X	X					X	X	X								
Heartwood	2	26	6	1,847	51	1622	Selected universe	X						X	X	X	X					X		
Ingenious Asset Management	1	13	0	1,000	0	1440		X														X	X	
Investec Wealth and Investment	15	378	21	55,000	6048	17948	Entire market	X	X						X	X						X	X	
Investment Quorum	1	4	1	721	23	134	Entire market	X	X				X	X	X	X		X		X	X	X		
James Brearley & Sons	5	7	0	10,000	157	34	Entire market	X	X	X	X	X										X	X	
James Hambro & Partners	1	15	3	1,813	465	773	Entire market	X	X					X	X	X						X	X	
JM Finn	6	98	1	23,000	2157	4998	Entire market	X	X															
Julius Baer International	2	75	0				Entire market	X	X	X	X	X	X	X	X	X		X	X				X	
Killik & Co	9	80	9	22,000	2729	688	Entire market	X	X	X				X	X	X	X				X	X	X	X
Kleinwort Benson	6	36	7				Entire market	X	X		X	X	X		X	X	X		X	X		X	X	
London & Capital	1	25	5	600		2500	Entire market	X				X	X		X	X	X					X	X	
McInroy	2	9	0	600		1000	In-house only	X																
Nutmeg	1				0	0	Entire market	X																
PSigma Investment Management	3	18	4	3,169		2140	Entire market	X																
Rathbones Investment Management	14	220	7	30,689	1200	19000	Entire market	X	X					X	X	X						X	X	
RBC Wealth Management	6	99	8	2,060	2272	1632	Entire market	X	X		X	X	X	X	X	X	X		X	X	X	X	X	
Redmayne-Bentley	38	88	11	62,525	571	779	Entire market	X	X	X												X		
Rothschild Wealth Management	2	39	4	1,427	1174	4141	Entire market	X	X		X	X	X					X		X	X	X	X	X
Ruffer	2	28	2	5,265	0	5640	Entire market	X																
Saunderson House	1	40	0	1,400	2746	0	Entire market		X					X	X	X	X						X	
Smith & Williamson	6	145	11	16,000	2800	9802	Entire market	X	X	X	X	X	X	X	X	X	X			X		X	X	
SGPB Hambros	8	98	12	5,616	0	0	Entire market	X	X	X	X	X	X	X	X	X	X			X	X	X	X	X
Standard Life	6	53	30	4,500	0	5800	Entire market	X															X	X
Stanhope Capital	1	18	2	145	2800	3000	Entire market	X	X															
Tilney Bestinvest	39	140	7	70,000	1561	5779	Entire market	X	X	X	X	X	X	X	X	X					X	X	X	
UBS Wealth Management	7	220					Selected universe	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	
Vestra Wealth	2	42	11	4,500	668	2274	Entire market	X	X	X	X	X	X	X	X	X	X					X	X	
Waverton Investment Management	1	22	1	2,478	0	3688	Selected universe	X														X		
Totals	350							45	33	16	14	17	17	24	30	29	18	6	15	13	11	31	29	3
% offering services								98%	72%	35%	30%	37%	37%	52%	65%	63%	39%	13%	33%	28%	24%	67%	63%	7%

Source: Ledbury Research

Money guide: Private client wealth management

Wealth advice and the 'squeezed middle'

Financial planning

Pressure on incomes is affecting spending choices, writes *Katie Morley*

The squeezed middle. The cost-of-living crisis. The cling-ons. Whatever term one chooses to apply, life is tough for Britain's middle class. Whether they are having palpitations over private school fees or getting red-faced over retirement, many would agree they are more in need of wealth advice than before.

Clever financial planning and proper investment management can offset the escalating cost of affluent lifestyles, but many find their financial circumstances mean they are unable to do some of things they would like, particularly helping children and grandchildren.

Anecdotal evidence suggests this accounts for up to a third of withdrawals from managed wealth portfolios. But middle-class parents and grandparents are increasingly being warned that they might not be able to afford to help younger generations.

Laura Lambie, senior investment director at Investec Wealth Management, says: "People who consider themselves to be in the 'squeezed middle' often have pensions as a number one concern. If they want to buy their child a house, they have to be careful they don't compromise their retirement plans."

Seth Cowburn, head of wealth management at Duncan Lawrie Private Banking, admits: "We are having more conversations than ever with parents and grandparents, in which we warn them that their wishes to help younger generations may be unsuitable within the context of their wider financial plan. This can come as a big shock."

The pressure on middle-class budgets in recent years has coincided with a regulatory upheaval in the industry, which has pushed up the cost of money management and forced clients and providers alike to think twice about whether it can be justified.

Mr Cowburn increasingly thinks not. "A number of firms take on people with as little as £100,000 to invest, but I struggle to see how that would be worthwhile. We only take on portfolios of £250,000 or more, because there's a significant risk that the cost would outweigh the benefit with less."

He adds that the "cost-to-serve" ratio across the industry has ballooned by at least a quarter over the past two years, largely as a result of tighter regulation which has forced companies to spend on extra technology, training and staff.

Soaring house prices may offer at least some hope for both the squeezed middle – especially at the younger end – and the wealth management industry.

According to HSBC research, one in five 20- and 30-year-olds is likely to inherit more than £250,000. That is enough to put them on the radar of more firms.

Many who inherit investment portfolios choose to keep them going rather than liquidate them, notes James Maltin, investment director at Rathbones.

"The freedom of renting and having money invested in equities appeals to the majority of my young clients. The obsession with home ownership seems to be dying down," he says. "These days, young people seem to prefer the freedom of renting – especially when they can afford a nice apartment. Their young age also allows them to take risks in their portfolio, which means they can grow their wealth slowly but surely."

However, relying on younger people mopping up wealth from older generations is a risky business strategy for the industry, not least because younger clients are not as quick to rush into the arms of a wealth manager as their parents might once have been. Growing numbers of young people are just as likely to seek help from family, colleagues and the internet instead.

A survey by NFU Mutual found that 42 per cent of 25- to 34-year-olds say paying upfront fees puts them off seeking professional advice, while 28 per cent think financial advice is only for the "wealthy". Separate research from Oracle Capital Group suggests that 55 per cent of people think the term applies to those with £10m or more.

To capture future middle-class clientele, some companies envisage having to serve up no-frills wealth management, possibly scaling right back to basic financial planning to make their services affordable. But others disagree; JPMorgan Wealth Management research found its clients aged 35 and under expect to be contacted on a more frequent basis than their older counterparts – with almost 40 per cent wanting to be emailed every week.

Katie Morley is a personal finance writer at Investors Chronicle

Feeling the pinch: affluent lifestyles come at a price Alamy

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Passives popularity increases

Investing

Will flat markets expose trackers' limitations? *Emma Dunkley* reports

Low-cost passive products have risen to prominence since the financial crisis, as investors became disillusioned with higher-charging funds run by managers who fail to beat the market, but some believe that flat markets will expose their limitations.

Index trackers were launched in the 1970s, but have surged in popularity over the past few years, due to their low headline charges and relatively certain returns.

Figures from the Investment Management Association show trackers have £77bn in assets under management, accounting for 9.8 per cent of UK retail funds.

That does not include assets held in exchange traded funds (ETFs). Launched in the UK in 2000, they became popular among individuals after the credit crunch in 2007, thanks to their liquidity and transparent pricing.

ETFGI, a consultancy group, says the European ETFs market had grown to $459bn at the end of May, a record high. Wealth managers have increasingly warmed to index trackers and ETFs, especially in markets such as the US where fund managers struggle to beat benchmark indices.

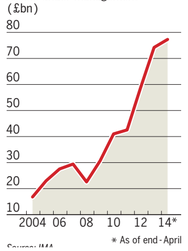
"There is no doubt that the past five years have been the time to use passive vehicles, as the primary investment decision has been to own the market rather than owning individual stocks," says Tom Becket, chief investment officer at PSigma Investment Management.

Andrew Summers, head of fund research at Investec Wealth & Investment, believes they are also useful where the active fund management industry tends to be structurally underweight in a market segment.

For example, nearly all active UK equity managers are structurally underweight in the FTSE 100, preferring in recent years to concentrate on mid-caps. That provides an opportunity to invest in blue-chip stocks. "In this instance you can use a FTSE 100 tracker to increase your large-cap exposure," says Mr Summers.

The traditional use of a passive investment has been for the "core" of a portfolio, with high-conviction active management providing the "satellite".

Growth of index tracking
Assets under management (£bn)



Source: IMA
* As of end-April

But Mr Becket points out that ETFs in particular can play a useful satellite role.

"With the excellent development of increasingly niche passive investments, wealth managers have the ability to express short-term views on a market without doing enormous amounts of due diligence on active funds – and potentially missing an investment opportunity," says Mr Becket. There are ETFs that track Sharia-compliant stocks, consumer growth companies and infrastructure, although liquidity may be more of a challenge than in more mainstream sectors and charges can be higher.

Nonetheless, wealth managers acknowledge passive investments have their limitations. Mr Becket points out that in low-volatility, rangebound market conditions such as those that have prevailed for much of 2014, active management sometimes has more appeal. "We think the time has come for change and there will be greater divergence at a stock level, as we have seen this year."

"We believe that some markets, such as the UK and US, might not make much headway at a headline level, but we believe there are plenty of idiosyncratic opportunities to exploit," he adds.

The ETF industry in particular has sought to address these issues via the development of so-called "smart beta" products. Instead of providing exposure to traditional indices, almost all of which are weighted by market capitalisation, these ETFs track indices with alternative weightings.

Isabelle Bourcier, of ETF provider Ossiam, says smart beta provides a way to overcome the "limitations" of the market cap-weighted approach.

"Alternatively-weighted, or smart beta, funds don't aim to replace market cap benchmarks, but used in combination with them, they can help investors to build more solid and resilient portfolios," she says.

ETFs and index trackers

Traditional index tracking unit trusts follow an index up or down, are priced daily and can be bought via fund brokers with no dealing costs (though there are platform fees of 0.25 per cent and more to consider), **writes Emma Dunkley**.

ETFs similarly track an index, but trade on the stock market like shares, so are continuously priced. This is attractive to managers, although buying ETFs incurs dealing costs.

One attraction of passives for wealth managers is the low charge to access a range of markets, sectors and asset classes, from frontier markets to UK blue-chips.

The cheapest index trackers include Fidelity's UK index fund, which has an ongoing charge of 0.09 per cent, while BlackRock's iShares Core S&P 500 Ucits ETF has a total expense ratio of 0.07 per cent. Increasing competition has recently placed pressure on providers to cut fees.

By comparison, the typical ongoing charge for an actively managed equity fund, even one that does not pay commissions to distributors and advisers, is about 0.75 per cent.

Charges tend to rise for less liquid markets and for more esoteric asset classes, which can mean the cost advantage over actively managed products is reduced. The iShares MSCI Emerging Markets ETF charges 0.68 per cent a year, against 0.1 per cent for the Core FTSE100 product.

Since conventional passives track an index, understanding the index's construction is vital. For instance, the FTSE 100 is skewed towards banks and resources companies. MSCI's Emerging Markets index is biased towards financials and electronics.

Most indices are weighted towards bigger companies, so investors are in effect buying shares that have already risen the most. The indices may also be inefficient, a genuine concern in fixed-income markets. "Fixed interest markets are weighted towards the most indebted countries or companies, so are generally something to be avoided in our view," said Mr Becket.

The advent of "smart beta", or index strategies that do not use market capitalisation to weight stocks, should help address such deficiencies in the underlying benchmark, although passives generally might not always be the appropriate vehicle to tap a market. As the passive market evolves, investors can benefit from a wider tool box for core and satellite portfolio holdings.

Management fees are high and still rising

Charges

Wealth managers' fee structures remain opaque, writes *Emma Dunkley*

Despite mounting pressure on the financial services industry for greater transparency over fees and lower costs for investing, the charging structures of many wealth managers are still far from clear.

The UK's watchdog, the Financial Conduct Authority, recently unveiled a damning report uncovering "widespread" failings over fee disclosure, which it said could mislead many investors over the cost of financial advice.

One wealth manager's failures were so egregious that it will probably be referred to the watchdog's enforcement division.

Yet, although more investors are starting to pay more attention to charges, few wealth managers are taking decisive action to clarify or reduce them.

Most firms still apply *ad valorem* charges, levying a fee based on a percentage of assets under management, which means that costs increase as the value of assets under management grows. Some offset the impact with tiered fee structures, whereby the level of the *ad valorem* charge reduces as assets rise, but few firms apply a flat, fixed fee, which investors argue is a more transparent charging structure.

Gina Miller: campaign for transparent fees

Gina Miller, founding partner of SCM Private, who spearheads the True and Fair Campaign on fees, says about 70 per cent of an investor's real return can be eaten by charges.

The average wealth management charge, including the cost of the investments, amounts to 3.24 per cent a year. But transaction costs incurred by the wealth firm and fund managers, which are often undisclosed, come to an average of 0.41 per cent a year, Ms Miller adds.

That takes the total to an average 3.65 per cent a year – compared to an average real annual return on equities of 5.2 per cent.

Transaction charges vary widely; some groups include them in the overall cost of management, others charge them at a flat-rate cost, such as £25 or £35, others charge a percentage transaction fee (which can be as high as 1.65 per cent) and there are often "settlement" or "compliance" charges on top.

Upfront charges can inflate that still further in the early years. Research by Numis Securities reveals that wealth managers charge as much as 7.5 per cent a year in some cases.

An investor with £120,000 invested across funds, shares, investment trusts and exchange traded funds, split across a pension, investment account and individual savings account, could pay up to £8,970 in fees to St James's Place in the first year, according to Numis.

The same portfolio at Barclays Wealth Advisory would cost £5,475 a year on a portfolio of £120,000. The Hargreaves Lansdown Portfolio Management Service charges £1,462 a year.

St James's Place pointed out that the charge includes the initial and ongoing cost of advice, which is not typically included in figures from other wealth managers. The figure also accounts for the charge for exiting the investment in the first year, which few investors would do.

Nonetheless, the research by Numis and others reveals the wide discrepancy in fees and how difficult they are to ascertain. Ms Miller says investors often believe the "annual management charge" represents the total cost. "Unless there's a standard method with all the explicit and implicit charges updated on an annual basis, there's no chance of understanding it," she says.

> 'Unless there's a standard method [of charging] there's no chance of understanding it'

Wealth managers say they are working towards a model of greater transparency. Last year, Rathbones and Quilter Cheviot joined forces to create a standard methodology for calculating total account costs, expressed as an annual percentage. And European regulation coming into force in the next few years should drive wealth managers towards improving their overall charging structures.

Aside from the lack of fees transparency, investors are also concerned that charges are rising, rather than coming down.

"We've noticed that a number of people are paying very high annual fees via discretionary investment services," says Justin Modray, founder of financial advice site Candid Money.

Investors typically pay more than 1 per cent for the wealth manager's service plus fees for the underlying funds of about 2 per cent a year – often on hundreds of thousands of pounds.

Clients, assets and fees

Organisation	% of discretionary funds invested in in-house funds	Min. portfolio size £k: Advisory	Min. portfolio size £k: Discretionary	Annual fee tariff (%): £100,000	£250,000	£500,000	£1m	£3m	£5m	Minimum fee (£)	Clean share classes?	Rebate trail commissions?	Dealing costs (where disclosed)	Separate 'platform' or custody charge?	Any alternative fee structers?	Notes
Adam Investment Management	0	0	500	1.25	1.25	1.25	1.12	0.87	0.72	2000	Y	N	Actual cost	N	N	Tiered structure; 1.25% down to 0.5% above £10m
Arbuthnot Latham	0	50	250	1.25	1.25	1.25	1.25	0.96	0.88	3,000	na	Y	None	N	Y	
Ashcourt Rowan	0		150	1.5	1.5	1.38	1.18	0.9	0.83	1,500	Y	na	0.5% - 0.75%	N	N	
Barclays Wealth	3		500	1.25	1.25	1.25	1.25	1.08	0.92 - 0.5		Y	na		N	N	
Berry Asset Management	0	250	250	1	1	1	1	0.75	0.57	3,000	Y	Y		N	Y	
Brewin Dolphin	0	500	150	0.75	0.75	0.75	0.6	0.38	Enquire	250 per quarter	Y	na	0.50% - 1.25%	N	Y	
Brooks Macdonald Asset Management	2.7	200	200								Y	Y	0.11% - 1%	N	N	Depends on mandate, starts at 0.75%
Brown Shipley	5.3	500	500			1.25	1.25	0.82	0.73		Y	N		N	Y	Fee only tariff inclusive of dealing and transaction charges
C Hoare & Co.	0		500			1.5	1.25	1	0.90 - 0.60		Y	Y		N	Y	
Canaccord Genuity Wealth Management	2.7	100	0	1.5	1.5	1.5	1.5	1.25	1.25		N	N	Enquire	Y	Y	
Cazenove Capital Management	15	1000	1000				0.75	0.75	0.50		Y	N	0.25% - 1.00%	N	N	Tiered; 0.75% on 1st £3m, dropping to 0.5% above £5m
Charles Stanley Group	1.5	80	80								Y	Y		Y	Y	Variable 0.5% - 1% depending on size. Min £600
Citi Private Bank	0	1000	1000								na	Y		N		Depends on mandate; enquire
Duncan Lawrie Private Bank	0		250	1	1	1	1	0.66	0.5 - 1.0		Y	na	Variable	N	Y	Tiered; 1.0% - £1m,).5% after
Equilibrium Asset Management	0	100	100	1.5	1.5	1.5	1	1	0.8	2,500	Y	Y		Y	Y	
GAM	36	2000	2000				0.5		0.5	0.40	Y	N	None	N	N	Charities charged 0.25%
GHC Capital Markets	12	100	20	0.75	0.75	0.75	0.32	0.32	Enquire	200	Y	na		na	na	
Greystone Financial Services	23	100	1000	0.75	0.75	0.75	0.75	0.75	0.75		Y	n		N	N	
Heartwood	62		500			1.25	1.25		0.75 - 1.25		Y	Y	Included	N	Y	Tiered; 1.25% - 1.0%. May incur initial/ongoing advice fees
Ingenious Asset Management	1		250	1.25	1.25	1.25	1.25	0.75	Enquire		Y	na	£25 per trade	N	N	Tiered; 1.25% down to 0.5% over £10m
Investec Wealth and Investment	0	100	100	1.25	1.25	1.25	1.25			1,500	Y	na	£35 per trade	N	Y	Tiered; 1.25% down to 0.75% over £2.5m
Investment Quorum	0	100	100	1	1	1	1	0.75	0.75	1,000	Y	na		Y	Y	Financial planning charged separately
James Brearley & Sons	0	50	50	1	1	1	1	1	Enquire	250	Y	na	1%	N	N	£1m or more by negotiation
James Hambro & Partners	1.9	1000	1000				1.15	1.15	Enquire		Y	na	At cost	N	Y	
JM Finn	0.7	0	0	0.75	0.75	0.75				250	na	N	Included	N	N	Min commission £40
Julius Baer International	0	750	750								Y	na		Y	N	
Killik & Co	0	0	100	1	1	0.75	0.6	0.6	Enquire	500	Y	Y	0.5% - 1%	N	N	Tiered; 1% up to £500k, dropping to 0.6% above £1m
Kleinwort Benson	17	1000	1000								Y	na		N	N	Sliding scale from 1.05%
London & Capital			750				1.25	1	1.00>0.8		Y	N	None	na	N	
McInroy	74		10	1.2	1.2	1.2	1.2	1.2			Y	na	At cost	N	N	Discounted to 0.2% +VAT in own unit trusts. Tiered above £2m
Nutmeg	0		1	0.6	0.5	0.3	0.3	0.3	0.3		Y	na		N	N	
PSigma Investment Management	0		250		1.25	1.25	1.25	1.17			Y	N		N	N	Tiered; 1.25% up to £2m, drops to 0.5% over £10m
Rathbones Investment Management	2.4	100	100	1	1	1	1	0.5	0.5		Y	Y	£20 per trade	N	N	
RBC Wealth Management	9.7	2000	2000							5,000	Y	N	None for funds	N	N	Tiered; 1.25% up to £1m, drops to 0.7% over £5m
Redmayne - Bentley	0	50	50	0.85	0.85	0.85	0.85	0.85	0.85	450	Y	N	0.45% - 1.65%, min £17.50	N	Y	
Rothschild Wealth Management	9	5000	5000						From 1.0		Y	na	Included	N	Y	
Ruffer	43		250	1	1	1	1	1	1		Y	Y	At cost	N	N	
Saunderson House Limited		750									Y	Y	At cost	N	N	Advisory only; charged per hour
Smith & Williamson	6.5	0	0	0.8	0.8	0.8	0.8	0.65	0.53		Y	na	0.4% - 0.6%, min £40	Y	Y	Custody charges apply: 0.15% - 0.2%
SGPB Hambros	11.8	500	500	1.5	1.5	1.5	1.5	1.25	1.00	7,500	na	na		Y	Y	
Standard Life	12	0	500	1.37	1.37	1.37	1.37	1.37	1.375		Y	Y	None	N	N	Discounts may apply
Stanhope Capital	0	8000	8000						1		na	Y	Enquire	na	N	0.3% over £70m
Tilney Bestinvest	18.8	100	50	1.25	1.25	1.25	1.26	0.86	0.68		Y	Y		Y	Y	
UBS Wealth Management	10	1000	500						0		Y	Y		Y	Y	
Vestra Wealth	0	500	500	1	1	1	1	1	1		na	Y	None inhouse	N	Y	
Waverton Investment Management	8	0	500			1.2	1.2	0.93	0.88		na	na		N	N	

Source; Ledbury Research

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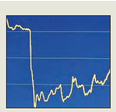

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