Private Client Wealth Management

An FTMoney Guide

▶ All in the game — making wealth management fun
How investment companies are introducing 'gamification' in an attempt to woo a younger generation of clients — PAGE 4

Wealth managers navigate an uncertain world

INTRODUCTION

Diversification into hedge funds and commercial property

HUGO GREENHALGH — WEALTH CORRESPONDENT

It has not been a good year for investors. A cocktail of global economic problems dragged down performance for wealth managers in 2015, and as uncertainty continues to stalk the markets, more managers are turning to alternative investments in the search for alpha.

While not quite the worst performance since our survey began — that dubious honour belongs to 2011 — investors in balanced or growth portfolios had little to celebrate last year.

According to Wealth-X, the data provider and the FT's research partner, the average balanced portfolio posted returns ofjust 2.3 per cent in 2015 — down from 4.8 per cent the year before. To put this in context, the average balanced portfolio posted returns of 11.3 per cent in 2013, and 9.1 per cent in 2012.

Nor has it been a good year for the average growth fund, where returns were 3.2 per cent — down from 5.1 per cent in 2014, 14.9 per cent the year before and 10 per cent in 2012.

Many of the problems faced by those managing our money in 2015 have persisted into 2016. Worries over the slowdown in China continue, the outlook for the oil price and commodities markets remains uncertain, and more of the world's central banks have introduced negative rates with $10tn ofbonds now also in minus territory.

Economic problems made it a bad year for investors — Getty

Bill Gross, founder of Pimco and now at Janus Capital, has dubbed the trend in negative rates a "supernova that will explode one day".

On top of this, with just days to go until the UK referendum, is the fear of what a potential Brexit could do to markets.

"The uncertainty surrounding the EU referendum in the UK is acting as somewhat of a damper on the market," says David Saunderson, chief executive of Cantab Asset Management.

Others point towards the mixed signals from the US Federal Reserve on monetary policy. Investors had hoped the decision to raise interest rates in the US last year would mark the start of a wider turnround, but hopes of subsequent rises have been quashed.

"We think the Fed lost the plot around the time of QE3," says Gareth Lewis, chief investment officer at Tilney Bestinvest. "Their natural bias about supporting Wall Street over Main Street is coming back to bite them. They have boxed themselves into a corner over the economy."

But it is not all bad news for investors. Relatively speaking, while the returns achieved by wealth managers in 2015 were low, they are still in positive territory — unlike the FTSE All-World Index.

In 2015, the index fell by almost 4 per cent, having risen 3 per cent over the previous 12 months. Two stellar calendar years in 2012 and 2013, in which the index rose both years by approximately 16 per cent, capped a disastrous 12 months in 2011 when it fell by just under 10 per cent.

Compared with the FTSE All-World index, investors have been spared the full impact of wobbles in the global economy.

Indeed, with uncertainty rife, fund managers have largely played safe this year and sat on their hands in terms of asset allocation. Since last year's survey, there has been little movement in the make-up of the vast majority of growth or balanced portfolios.

Yet despite the nervousness within the ranks of professionals managing our money, there have been some standout stars (note: both top portfolios have not been verified by the report's performance analyst Asset Risk Consultants).

London & Capital achieved the top-performing returns on the average growth portfolio, posting a five-year return of just over 56 per cent. Over three years, returns stood at 29.84 per cent, but shrank back to 1.8 per cent in 2015, reflecting the difficult investment environment.

Looking towards the longer term, Iain Tait, head of the private investment officer at L&C, ascribes the performance to "an outsized bet within fixed income".

"For L&C, a growth mandate will still have a much higher proportion offixed income than our peer group," he says. "We tend to be more comfortable stretching the boundaries of where we can find good risk-adjusted returns in fixed income; we tend to be bolder in fixed income and more conservative in equities."

A strategy offavouring capital preservation is one that Mr Tait readily admits will be left behind when "animal spirits reign", but for now, playing it cautious has paid off.

Cantab Asset Management takes the honours over a five-year period for the average balanced portfolio, recording returns of more than 47 per cent. The three-year figure remains a healthy 33 per cent, while in 2015 returns achieved 6.8 per cent.

"In general, Cantab prefers to focus investment decisions on long-term trends rather than short-term events," explains Mr Saunderson, "although we are careful to avoid the pitfalls these might bring."

Increasing volatility on world stock markets means managers have sought to derisk their portfolios by looking elsewhere for income. For some of those surveyed in this year's report, that has meant hedge funds. Pilloried for their headline underperformance — billionaire investor Steve Cohen recently said he was "blown away by the lack of talent" in the industry — hedge funds still have their supporters.

However, Mr Lewis at Tilney Bestinvest adds a caveat. "Private clients will view hedge funds as an amorphous bucket ofhigh fees and high volatility investment vehicles," he warns. "But we're trying to invest in areas where we have reasonable clarity on what's going on, and understand the strategy and visibility where they're positioned; and, more importantly, where they're not trying to take on increasing levels ofleverage."

It is not about "aggressive long-short stuff", he qualifies, but rather returning to the traditional notion of a hedge fund — namely hedging against risks faced when investing in equities and bonds.

Mr Lewis is not alone in favouring alternative strategies. Allocations to hedge funds in both balanced and growth portfolios top 15 per cent for several fund managers, according to the Wealth-X data.

For StJohn Gardner, head of investment management at Arbuthnot Latham, the private bank, recent quibbles in the press over performance do not drill down into the detail of what hedge funds can offer.

"It is true that it has been a challenging year for global macro strategies and there tend to be some large popular funds in this area," he says. "However, there have been plenty of opportunities for long-short equity funds to profit from material differences in stock price movements globally."

The search for income in this low-interest rate environment has also seen many managers turn to property as an alternative. At just 4 per cent, real estate remains relatively low as a proportion of the average balanced portfolio, one percentage point lower than the allocation to hedge funds. Yet it is growing in popularity, and not just for the sake of diversification.

"We're hoping that commercial property will come out the other side [of the EU referendum] and be largely unaffected by any concerns," says Steven Richards, associate director at Thesis Asset Management. "We feel reasonably comfortable that prices won't react overnight to an exit."

Performance

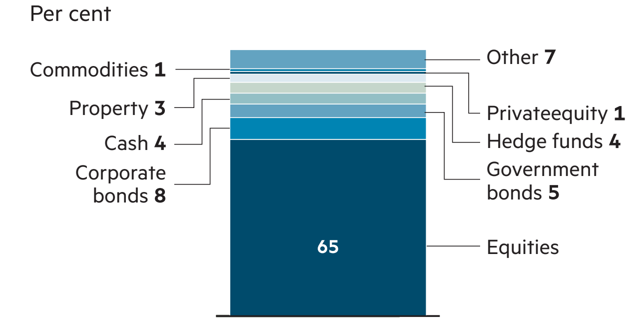
Wealth manager	Returns on averaged balanced portfolio (%) Over 1 year	"Over 3 years (cum)"	"Over 5 years (cum)"	ARC verified	Returns on average growth portfolio (%) Over 1 year	"Over 3 years (cum)"	"Over 3 years (cum)"	ARC verified
ACPI								
Adam & Co	0.7	18	29.8	X	1.6	23.1	35.2	X
Arbuthnot Latham	3	16.9	22.4	X	4.4	24.9	31.1	X
Barclays Wealth and Investment Management	2.8	19.5	23.8	X	1.6	20.9	23.6	X
Brewin Dolphin	3.2	24.2	38.9		5.74	39.53	55.89	
Brooks Macdonald Asset Management	3.55	22.37	28.17	X	4.58	25.65	27.95	X
C Hoare & Co.	2.65	18.75	26.72	X	3.34	23.48	32.03	X
Canaccord Genuity Wealth Management	1.61	22.65	30.21	X	2.88	28.92	35.3	X
Cantab Asset Management	6.8	33.07	47.55		6.3	31.32	43.44	
Cazenove Capital Management	1.4	16.4	26	X	1.5	19.8	30.5	X
Citi Gold					0.4	19	32.7	
Citi Private Bank	0.9	13.45		X	2.52	24.1	33.27	
Close Brothers Asset Management	3.06	19.13	26.23	X	2.56	20.26	27	X
Coutts	1.3	16.3	19.1	X	1.4	19.3	17.7	X
Credit Suisse	0.5	13.96	13.93	X	0.24	19.23	19.42	X
Dart Capital	3.62	20.99	20.98		6.19	28.82	31.59	
Equilibrium Asset Management	4.63	25.36	34.43		5.57	27.54	33.43	
GAM	1.34	18.85	21.34	X	1.7	25.22	31.85	X
Investec Wealth and Investment	1.5	18.8	27.4	X	1.9	22.3	30.2	X
Investment Quorum	3.98	18.09	29.83		6.5	29.86	33.61	
JM Finn	2.13	21.75	31.83		3.16	22.46	28.49	
Killik & Co								
Kleinwort Benson	2.54	16.78	24.83	X	1.37	16.9	21.43	X
London & Capital Asset Management	0.29	16.36	27.53		1.8	29.84	56.24	
McInroy & Wood					2.7	22.2	32.2	X
Quilter Cheviot	1.08	18.79	27.08	X	1.99	22.35	32.08	X
Rathbones Investment Management	2.2	18.1	24.6	X	2.4	22	29.9	X
Redmayne-Bentley	1.61	31.87	45.96		4.6	30.41	46.64	
Rothschild Wealth Management	1.49	22.97	28.92	X	1.99	27.51	32.23	X
Ruffer	-0.1	15.6	22.5					
Sarasin & Partners	1.61	20.47	26.18	X	1.98	23.19	27.26	X
Saunderson House Limited	2.8	23.6	32	X	3.3	27	34.9	X
Seven Investment Management	0.27	19.13	23.56	X	1.17	25.97	29.08	X
SJP	0.12	17.3		X	0.79	29.7		X
Smith & Williamson	1.54	16.79	26.47	X	2.89	23.13	31.87	X
Societe Generale Private Banking Hambros	3.24	19.3	21.5		3.03	23.55	23.81	
Standard Life Wealth	2.67	12.09	22	X	8.11	30.42	33.53	X
Thesis Asset Management	6.94	33.3	43.86	X	7.08	39.83	47.95	X
Tilney Bestinvest	3.8	23.8	29.7	X	4.7	26.2	31.2	X
UBS Wealth Management (UK)	1.12	17.32	24.41	X	1.84	22.5	28.84	X
Vestra Wealth	4.13	20.63	27.04		6.33	30.63	36.6	
W H Ireland	3.35	23.83	34.01	X	1.92	26.3	34.49	X
Waverton Investment Management	1.59	18.86	22.28	X	2.09	24.11	27.88	X
Average	2.30	19.86	27.50		3.15	25.49	32.63	
Max	6.94	33.30	47.55		8.11	39.83	56.24	
Min	-0.10	11.71	13.93		0.24	16.90	17.70	

Source: Wealth-X Private Client Wealth Management Survey 2016

PRIVATE CLIENT WEALTH MANAGEMENT

Current asset allocation of the average capital growth portfolio invested on behalf of UK private clients

Per cent



Source: WealthX

Waiting game
EU vote will have a profound effect

When the UK votes on June 23 on whether to stay in the European Union, fund managers will be poised to act when markets open the following morning. Cash holdings in the average balanced and growth portfolios remain relatively high at 5 per cent within the average balanced portfolio.

Brexit tops the list of their concerns. When asked by Wealth-X which event would have the most positive or negative influence on their investment outlook, wealth managers overwhelmingly said the question of Britain leaving the EU was the primary worry. Just 3 per cent said it would be positive, 50 per cent replied negative and — reflecting the UK's indecision as a whole — 47 per cent said they simply did not know.

Many are biding their time. Turmoil can provide an opportunity. Steven Richards at Thesis Asset Management denies the current 11 per cent cash position across growth portfolios is a direct response to Brexit. It is more a decision informed by the "general feeling that the bull run over the past six years has run its course", he says.

The risk to UK equities of Brexit is real, adds Gareth Lewis at Tilney Bestinvest. But the uncertainty is not without benefits. "In the medium term we could see sterling weakness help pockets of the UK market."

Millennials force managers to up their game

MILLENNIALS

Gamification aims to lure a fresh generation of clients

AIME WILLIAMS

Wealth managers have a problem — but video games developers may have the solution.

While wealth managers' average clients are currently aged in their late 50s, 81 per cent of managers say that they are trying to attract much younger ones — the millennials — according to research by Wealth-X for the Financial Times.

Those born between 1980 and 2000 are likely to fall under the category of "not rich yet", but managers recognise that if they are going to attract these clients in the future, they will need to up their game.

Global consultancy firm Deloitte recently produced a report suggesting that millennials are not particularly interested in money: they have "low-to-medium" levels of financial knowledge, so wealth managers need to educate and engage them if they are to ever get their cash.

The best way to do this would be online. Millennials love digital — almost 90 per cent of millennials check their smartphone within 15 minutes of waking.

But the problem for wealth managers is that their own technological capabilities are poor. "The wealth management industry is behind the digital curve," said Denise Collins of City Asset Management.

However, many are thinking harder about the way they engage younger clients. "Gamification" — the act of turning a mundane task into something fun — is being touted by the industry as one solution.

Speaking at a forum on millennials held by the Wealth Management Association this month, Ms Collins said games could replace "laborious" client processes like filling out risk appetite questionnaires.

This might persuade clients to fill out their forms on time, but games could also solve the millennials' lack of financial knowledge while also teaching them about the consequences of behaviour.

"How do people learn?" asks Paolo Sironi, thought leader at US computer company IBM. "They learn by experience.

"If you create a game, you're going to test out the things that may or may not make you happy, and alter your behaviour in the future."

Mr Sironi, who has written a book on how games could be used in wealth management, said gamification would go a long way to helping the average investor understand how to achieve their aims.

"The idea of goal-based investing is not new," says Mr Sironi. "But there has not always been the technology to help people do it."

Video games should be the key inspiration for creating wealth management games, says Jono Hey, head of user experience at online investment platform Nutmeg.

"Children learn to play highly complex games with no, or very few, instructions — they don't read a manual before they play, because the game teaches skills and conveys knowledge incrementally.

"Done right, you've learned new skills in a way that doesn't feel like work, and that's rewarding and satisfying," says Mr Hey.

Duncan Macintyre, the UK chief executive of Swiss private bank Lombard Odier says he once designed an old-fashioned board game to help clients decide on their goals.

"I created a 'priorities' board game," says Mr Macintyre. "It was a physical board game with quadrants on it, and [clients] would place chips that had the numbers one to nine upside down."

The numbers represented different priorities or goals the clients had, ranging from funding their retirement to paying for their children's school fees.

"During the conversation with advisers, all players would reveal the numbers, and then see each other react to each other's choices," says Mr Macintyre.

The game would serve as a way of learning about choices and starting a conversation, he adds.

Joachim Klement head of thematic research at Credit Suisse Wealth Management, says he is also "very fond" of the idea of using digital games.

"One of the benefits of games, or experience-based tests, is that they have the power to elicit the same emotions as when you make an investment in real life," says Mr Klement. "Filling in a paper-based questionnaire just uses the visual and logical parts of the brain, but it doesn't trigger emotional responses like anxiety and fear," he says.

Emotional response: games replicate real-life feelings

Credit Suisse said it is working on updating its advisory process to make it more interactive, incorporating more behavioural finance.

Merrill Lynch — the US investment bank — has used gamification to trigger investor empathy with their future selves. Fresh-faced young clients can upload photographs to see themselves "aged", forcing investors to confront the truth that they will one day need their pension.

But the technological difficulties faced by many traditional wealth managers mean that online tech-savvy start-ups are racing ahead.

Nutmeg's Mr Hey says the company is looking into emulating game-like features used by social media site LinkedIn.

Progress checklists and scores to nudge people into investing could "move people down the path towards the best outcomes", says Mr Hey.

"The same with earning badges for actions that improve your situation," he says. "Companies like Fitbit, [the wearable fitness tracker], use these as well."

> 'One of the missions we set ourselves is to educate the world about investing and feeling comfortable to trust it'

Mr Hey warns about going too far, though: "We're building long-term relationships with our customers and that's about building trust through repeated positive interactions — and that means not bugging people through gimmicks and trivialities," he says.

Wealth managers have also picked up some tricks from other social media sites, allowing investors to connect with each other in an attempt to turn wealth management into a party.

New online investment company Wealthify has used principles from Google+ to create "circles" — online chat groups where investors can share investing goals and aims.

"We're aiming for the iPhone generation," says Michelle Pearce, co-founder of Wealthify. Ms Pearce says the company wanted investors to "share the love" with each other.

"One mission we set ourselves is to educate the world about investing and feeling comfortable to trust it and get involved in it," she says. "It's about making it fun. We're very stuffy about it in the UK."

Wealthify is not alone in its social focus. Another upstart, MeetInvest, has designed an online platform modelled on "fantasy football" — except instead of selecting star footballers, users choose their favourite famous investor and add them to their "team".

Those they can currently pick include Berkshire Hathway's Warren Buffett and founder of Franklin Templeton Investments John Templeton.

MeetInvest's founders — Maria and Michel Jacquemai — have used books and research papers written by the star investors to produce a version of their investment style written in computer code.

"You just can't retain younger clients with a piece of paper and some charts, but if you give them something to click and interact with it retains interest," says Ms Jacquemai.

"Gaming is something you do all the time — online there is always something to touch and to click on."

For some, games are just one part of the wider change in communication. Gauthier Vincent, head of US wealth management at Deloitte, says wealth managers must move towards "constant communication" with clients.

"You can sit down with an adviser and have a one-hour conversation — but then you go home and have forgotten half of it," says Mr Vincent. "It doesn't really work."

But through small and frequent online interactions, people can learn a lot more about investment, he adds.

"As an investor you might be smart, but you always need to learn. So that's where this idea of engagement and gamification comes in."

A huge amount of time and resources is being invested into how to attract the clients of the future, but the next challenge will be retaining the interest of the fickle millennial generation until they become rich.

"When it comes to wealth management, millennials shouldn't be top priority — they're just not wealthy yet," cautions David Barks, associate director at Wealth-X. In his view, chasing clients in their 40s could prove more worthwhile. A lot of the wealth managers we speak to are asking how they can capture this audience, but for the next 10 years, they really need to be looking at Generation X."

'You just can't retain younger clients with a piece of paper and some charts, but if you give them something to click and interact with it retains interest' — Graphic: Brian Saffer

Investors learn to navigate minus territory

BONDS

Negative yields make the search for growth all the more elusive

ELAINE MOORE

Negative-yielding bonds contradict the natural laws of investment. Instead of being rewarded for lending money, investors who buy securities with sub-zero yields and hold them to maturity must pay for the privilege. Yet in two years, this warped asset class has ballooned from almost nothing to more than $10tn.

For wealth managers and their clients the "new abnormal" in global bond markets is a huge headache. How can you provide positive returns from an asset with negative rates?

"We have been having a lot of very unexpected conversations," says Andrew Mulliner, fixed income portfolio manager at Henderson Global Investors. "It's fair to say that a few years ago no one thought markets could do this."

For central banks, negative rates are a deliberate ploy to prod banks into lending and consumers into spending in a bid to kickstart growth.

But for investors, the distortions have come at a price.

In the UK, yields on benchmark 10-year government bonds — a mainstay of investment portfolios — have fallen to a record low of 1.22 per cent. Over 50 years, the yield is just 2 per cent. Both are below the level that the Bank of England targets for inflation.


Feeling the chill with negative interest rates — Dreamstime

Across the English Channel, the environment is even more extreme. In Switzerland, where the Swiss National Bank has a deposit rate of -0.75 per cent, yields on government bonds are negative out to 20 years. In Europe, which has a deposit rate of -0.4 per cent, the yield on benchmark 10-year German yields — a proxy for the wider bond market — is edging close to zero.

For retail consumers, these ultra-low rates are seeping through to portfolios. German pension funds are warning they may have to cut benefits, while BlackRock, the asset manager, says negative yields are a key risk facing savers.

"It begs the questions, what is the lowest yield that investors will buy at?" said Suki Mann, credit analyst at UBS.

Yet while some investors have no choice but to own negative yield short-dated bonds, others are actively buying.

Why? Credit analysts say they are betting that either inflation will be lower than the yield available, that yields will keep falling, or that someone else will buy the bonds at a higher price.

Negative-yielding securities mean an investor will lose money if they hold the debt to maturity. But why worry about theoretical losses if a buyer — say a central bank — will take the debt?

Without a surprise recovery in growth or inflation, there is now every reason to think that central banks will keep interest rates low and keep buying bonds, and that prices of highly rated bonds will keep on falling, says Salman Ahmed, Odier Investment Managers' Global Fixed Income Strategist.

How long will this last?

Government bond markets are considered liquid, reliable markets where investors can store their savings without worrying about volatility.

But ultra-low yields have put bond markets into uncharted territory. A rally in early 2015 ended in a sudden sell-off that shocked markets, sending the yields on 10-year German bonds from a record low of 0.05 per cent to 0.8 per cent in the space of weeks, inflicting heavy losses on investors.

The move was connected to a change of heart from investors about how far central bank bond purchases could drag on yields and whether a revival in inflation meant the start of an economic recovery. With no consensus about the direction the global economy is headed there is scope for a repeat performance this year.

FT FT.com/video
Punk FT — Negative rates defy gravity, a cartoon explainer

Investment allocation

Current asset allocation of the average balanced portfolio invested on behalf of UK private clients (%)

Wealth manager	Cash	Equities	Bonds: Corporate	Bonds: Government	Property	Private Equity	Hedge Funds	Commodities	Other
ACPI	11	33	50	0	0	0	6	0	
Adam & Co	2	52	25	17	4	0	0	0	
Arbuthnot Latham	0	45	35	0	5	0	15	0	0
Barclays Wealth and Investment Management	8	53	5	10	1	0	14	2	7
Brewin Dolphin	3	54	14	16	4.5	0	0	0	8.5
Brooks Macdonald Asset Management	4	63	11	0	6	0	6	0	10
C Hoare & Co.	9.15	43.25	5.11	28.2	0	0	14.29	0	
Canaccord Genuity Wealth Management	3.39	56.96	15.44	10.46	0	0	0	0	13.75
Cantab Asset Management	0	55	25	0	10	0	0	0	10
Cazenove Capital Management	5	43.2	11.2	12.7	6.3	0	7.5	2.8	11.3
Citi Gold	0	45	26	15	0	0	0	0	14
Citi Private Bank	2.8	55.5	9	12.4	0	0	16	0	4.3
Close Brothers Asset Management	7.19	58.88	17.42	5.58	1.04	0	1.39	0.79	7.71
Coutts	0.8	59.7	14.8	10.3	4.3	0	7	3.1	
Credit Suisse	4.8	43.5	24.7	2.6	3	0	11.7	5.2	4.5
Dart Capital	1	57	17.25	6	7.5	0	11.25	0	
Equilibrium Asset Management	5	35	12	3	15	0	0	0	30
GAM	4.41	46.82	25.6	0	0	0	15.96	0	7.21
Investec Wealth and Investment	8	39	7	28.5	7.5	0	8	0	2
Investment Quorum	2	23	15	35	5	0	0	0	20
JM Finn	0	0	0	0	0	0	0	0	
Killik & Co	3	75	14	0	4	0	4	0	
Kleinwort Benson	13	50	12	20	0	0	0	5	
London & Capital Asset Management	2	55	43	0	0	0	0	0	
McInroy & Wood	0	0	0	0	0	0	0	0	
Quilter Cheviot	2.5	68.5	3	12	9	5	0	0	
Rathbones Investment Management	8.5	37.5	11	21	2	0	0	3	17
Redmayne-Bentley	5	70	15	0	5	0	0	0	5
Rothschild Wealth Management	7.9	59.1	2.1	15.1	0	0	15.6	0	0.2
Ruffer	14.6	38.3	0	30.3	0	0	0.8	4	12
Sarasin & Partners	5	42.4	19.9	23.3	0	1.5	2.2	0	5.7
Saunderson House Limited	10	55	19	8	8	0	0	0	
Seven Investment Management	11.3	46.7	16.8	5.6	2.2	3.7	0	3	10.7
SJP	6.4	46.7	27.7	1.5	9.7	0	4.4	3.6	
Smith & Williamson	8	55	15	10	6	0	6	0	
Societe Generale Private Banking Hambros	3	65	8	4	0	0	0	0	20
Standard Life Wealth	1	47.6	15.8	0	0	0	0	0	35.6
Thesis Asset Management	9.16	43.44	25	0	8.5	1.5	8	0	4.4
Tilney Bestinvest	10	45	7	14	7	0	15	2	
UBS Wealth Management (UK)	5	49	28	18	0	0	0	0	
Vestra Wealth	6	34	15	18	5	0	0	0	22
W H Ireland	7	62.5	14	0	5.5	0	3.5	5	2.5
Waverton Investment Management	10	44	12	10	2	0	9.5	3	9.5
Average (mean)	5.35	47.71	16.02	9.85	3.58	0.27	4.72	0.99	10.92
Max	14.60	75.00	50.00	35.00	15.00	5.00	16.00	5.20	35.60
Min	0	0	0	0	0	0	0	0	0

Current asset allocation of the average capital growth portfolio invested on behalf of UK private clients (%)

Wealth manager	Cash	Equities	Bonds: Corporate	Bonds: Government	Property	Private Equity	Hedge Funds	Commodities	Other
ACPI	0	37	50	0	0	0	13	0	
Adam & Co	2	78	10	7	3	0	0	0	
Arbuthnot Latham	0	68	12	0	5	0	15	0	0
Barclays Wealth and Investment Management	3	73	1	0	7	0	8	2	6
Brewin Dolphin	2	79	4	3.5	3	0	0	0	8.5
Brooks Macdonald Asset Management	3	83	2	0	4	0	4	0	4
C Hoare & Co.	9.6	57.61	4.31	15.55	0	12.93	0	0	
Canaccord Genuity Wealth Management	2.86	77.12	2.7	4.37	0	0	0	0	12.95
Cantab Asset Management	0	65	15	0	10	0	0	5	5
Cazenove Capital Management	2.6	63.9	6	7.9	3.1	0	6.3	2	8.2
Citi Gold	0	72	10	0	0	0	0	0	18
Citi Private Bank	0	71.5	4	5	0	0	18	0	1.5
Close Brothers Asset Management	7.1	79.8	4.84	2.38	0.72	0	0.57	1.01	3.58
Coutts	0.7	82.8	6.1	0	4	0	4.1	2.3	
Credit Suisse	1.9	64.8	7.3	2.6	3	0	11.4	5.1	3.9
Dart Capital	1	68.5	11.5	6	6.25	0	6.75	0	
Equilibrium Asset Management	5	70	3	0	3	0	0	0	20
GAM	3.19	74.79	13.28	0	0	0	8.74	0	0
Investec Wealth and Investment	5	65	4	12.5	5.5	0	6	0	2
Investment Quorum	10	50	6	15	7	0	0	0	12
JM Finn	0	0	0	0	0	0	0	0	
Killik & Co	2.5	87	0	0	0	2.5	5	3	
Kleinwort Benson	9	71	7	8	0	0	0	5	
London & Capital Asset Management	2	85	13	0	0	0	0	0	
McInroy & Wood	1	60	0	39	0	0	0	0	
Quilter Cheviot	9	64	1.5	13.5	6	0	6	0	
Rathbones Investment Management	3	67	6	10	2	0	0	0	12
Redmayne-Bentley	0	80	10	0	5	0	0	0	5
Rothschild Wealth Management	13.1	69.6	0	0	0	0	17.1	0	0.2
Ruffer	0	0	0	0	0	0	0	0	
Sarasin & Partners	6	61	11.5	13	0	0.4	2.8	0	5.3
Saunderson House Limited	7	66	13	6	8	0	0	0	
Seven Investment Management	5.8	65.3	9.4	1.6	3	4.4	0	2	8.5
SJP	8.5	60.4	24.6	0	0	0	6.5	0	
Smith & Williamson	7.5	66	8	6	5	0	7.5	0	
Societe Generale Private Banking Hambros	2	86	2	0	0	0	0	0	10
Standard Life Wealth	1.72	76.9	10.47	3.3	1.4	0	0	0	6.21
Thesis Asset Management	11.31	55.94	14	0	5	2.5	8.25	0	3
Tilney Bestinvest	8	55	6	10	5	0	14	2	
UBS Wealth Management (UK)	5	68	17	10	0	0	0	0	
Vestra Wealth	5	51	10	8	5	0	0	0	21
W H Ireland	4.75	73	6	0	2.25	0	9	5	
Waverton Investment Management	13.5	58	7.6	6.4	2	0	4.8	3	4.7
Average (mean)	4.27	65.28	8.23	5.04	2.66	0.53	4.25	0.87	7.26
Max	13.50	87.00	50.00	39.00	10.00	12.93	18.00	5.10	21.00
Min	0	0	0	0	0	0	0	0	0

Source: Wealth-X Private Client Wealth Management Survey 2016

PRIVATE CLIENT WEALTH MANAGEMENT

Robot or human: which is best for your wealth?

ONLINE

Critics question the quality of online services in a downturn

AIME WILLIAMS

The robots are here to stay as far as the wealth management industry is concerned, but should you use one instead of a human?

Online discretionary investment services — known as "robo-advisers" — began launching in 2012, hoping to disrupt the traditional face-to-face wealth managers by offering a low-cost service to tech-savvy investors.

So how do they differ?

While traditional wealth managers usually offer either investment advice or discretionary management — where the wealth manager will invest on behalf of the client — robo-advisers sit in between.

Although all online platforms are all slightly different, they normally work by assessing the client's risk appetite before offering a model portfolio to suit them.

More often than not, the portfolio will be made up of cheaper passive funds — as is the case with Nutmeg, the online wealth manager.

Lower costs might be the first reason a customer would choose a robo-adviser over a more traditional face-to-face manager — they have what Lee Goggin, co-founder of findawealthmanager.com, calls "a low-cost mantra".

Following a change to UK financial regulations in 2013, many wealth managers have been forced to raise the minimum investment required for their services, effectively closing the door on less wealthy clients.

Rather than reject them, using technology to provide a cheaper no-frills service is of obvious appeal.

Investec Wealth, which is set to launch a robo-advice platform later this year, is playing to this theme. Jane Warren, chief executive of Investec's online arm, said robots will give people with less money the chance to invest.

For its robo service, the company will lower its minimum investment to £10,000, which it describes as "significantly lower" than its face-to-face service.

"It's lower cost, more convenient and we are taking a lower minimum investment," says Ms Warren.

But Mr Goggin says customers should still keep an eye on the fees charged by their platforms. Transaction fees, fund fees, custody fees, brokerage fees — to name a few — are all likely to be present.

When using a traditional wealth manager, customers should check whether the costs are negotiable, says Mr Goggin. "Customers should be prepared to be less English and haggle a better deal, especially if they have a large portfolio," he says. "Negotiating fees at the outset could make a big difference to returns in the long run."

Janine Menasakanian, head of wealth for Vanguard's UK business, agrees: "Remember that the more pounds you spend on charges, the less you keep in your pocket," she cautions.

If you were to take the pure robo-advice option, it may help to think about how nervous you are likely to be in the event of a market downturn.

"What happens in a severe bear market?" asks Joachim Klement, head of research at Credit Suisse Wealth Management. "That's when investors often need a lot of hand holding, and [online platforms] don't necessarily have that comfort and explanation that a human adviser could give."

Human wealth managers can also help their clients get their investing right from the beginning by questioning whether they really mean what they say.

"Something a good adviser can do that no machine can is sense your emotions and what you are saying between the lines," says Mr Klement.

"Whether you're a bit insecure, or too aggressive or optimistic — a trusted adviser can give you a confidence boost or bring you back down to earth, and it is not something a machine can do."

Would-be wealth management clients also need to consider whether their needs are simple or more complicated, says Jane Sydenham, investment director at wealth manager Rathbones.

Rathbones does not offer robo-advice, but Ms Sydenham says the company believed robo could be "very effective" for "relatively new investors whose circumstances are straightforward".

For people with "quirks", such as existing funds with large capital gains, share options, or non-standard tax affairs, seeing someone face-to-face may be better, she says.

If it is still unclear, remember it should be possible to combine robo-advice with face-to-face meetings.


Wealth managers have adopted robo services — iStock

Clients, assets and fees

Wealth manager	% of discretionary funds invested in in-house funds	Min. portfolio size £k			Annual fee tariff (%)							Minimum fee (£)	Additional charges (£)	Clean share classes?	Dealing costs (where disclosed)	Notes
		Advisory	Discretionary	Execution only	£100,000	£250,000	£500,000	£1m	£2m	£3m	£5m					
ACPI	3.1													-		Tiered structure; 1.25% down to 0.5% above £10m
Adam & Co	1	0	500	0	1.25	1.25	1.25	1.25	1.13	0.88	0.73	£2,000.00	Actual dealing costs	Y	Actual cost passed to client with no margin added	
Arbuthnot Latham	0	50	400		1.25	1.25	1.25	1.25	1.06	0.96	0.88	£5,000.00		N/A	Nil (except execution-only)	
Barclays Wealth and Investment Management	0	250	500	500		1.25	1.25	1.25	1.13	1.08	0.95-0.5			Y	Nil	
Brewin Dolphin	0	50	150		0.75	0.75	0.75	0.75	0.6	0.38	Available on request	£250 per quarter	£20 per trade	Y	As above	
Brooks Macdonald Asset Management	2.5		200		0.75	0.75	0.75	0.75	0.6	0.5	0.5	Initial charge - negotiable	Dealing charges	Y	First £10,000 - 1%; £10,000-£250,000 - 0.15%; thereafter - 0.11%	
C Hoare & Co.	0	1000						1	1	1	0.6-1			N/A	Dealing charges are included in the management fee	Depends on mandate, starts at 0.75%
Canaccord Genuity Wealth Management	1	100	100	100	1.5	1.5	1.5	1.5	1.5	1.25	1.25		Transaction charge: £30 per transaction	Y	Transaction charge: £30 per transaction; overseas dealing charge: £50 per transaction	Fee only tariff inclusive of dealing and transaction charges
Cantab Asset Management	0	500	500				0.75	0.75	0.75	0.75	0.50%			N/A	N/A	
Cazenove Capital Management	6	1000	1000	1000										Y		
Citi Gold	0	150		150										N/A		Tiered; 0.75% on 1st £3m, dropping to 0.5% above £5m
Citi Private Bank	0	3500	5000											N/A	N/A	Variable 0.5%-1% depending on size. Min £600
Close Brothers Asset Management	0.6		100		1	1	1	1	1	1	1			N/A	0.05%	Depends on mandate; enquire
Coutts		2000	1000		0.6	0.6	0.6	0.9	0.9	1				Y	On average, brokerage charges are 0.04% per year.	
Credit Suisse	0.9	3000	3000	3000				1.2	1.2	1.2	0.7	£750 per quarter		Y	Dealing or execution charges (brokerage) is charged at 0.6%, but is deal dependent	
Dart Capital	0	250	250		1	1	1	1	1	0.88	0.75			Y	£40 per transaction	Charities charged 0.25%
Equilibrium Asset Management	0	100	100		1.5	1.5	1.5	1.25	1	1	0.47-0.8	£1,250.00	None	N/A	None	
GAM	30	2000	2000	0	0	0	0	0	0.5	0.5	0.5	NA	Underlying managers	Y	0	
Investec Wealth and Investment	0.38	160	120		1.25	1.25	1.25	1.25		1.04	0.925	£1,500.00	35.00 BAC	Y		Tiered; 1.25%-1.0%. May incur initial/ongoing advice fees
Investment Quorum	0	100	100	0	0.75	0.75	0.75	0.75	0.75	0.5	0.5			Y	Not applicable, as included in fees	Tiered; 1.25% down to 0.5% over £10m
JM Finn	0.3	0	0	0	0.75	0.75	0.75	0.75	0.63	0.55	0.47	£750.00	Commission	N/A	£20 per transaction	Tiered; 1.25% down to 0.75% over £2.5m
Killik & Co	0	0	100		1.25	1	0.75	0.5	0.5	0.5	By negotiation	£250 per quarter		Y	1% on first £15k and 0.5% on balance	Financial planning charged separately
Kleinwort Benson	17	1000	1000				1.5	1	1	1	0.85	£6,000		N/A	All-inclusive in management fee	£1m or more by negotiation
London & Capital Asset Management	25		750					1.25		1	0.85			Y	N/A	
McInroy & Wood	83.5		250		1	1	1	1	1	1				Y	Passed through at cost	Min commission £40
Quilter Cheviot	0.2	200	200	200	1	1	1	1	0.5	0.3	0.3	£2000 pa		Y	May be applicable in certain fee structures	
Rathbones Investment Management	1.2	100	100		1.2	1.2	1.1	0.99	0.81	0.7	0.62	No	None	Y	Nil	Tiered; 1% up to £500k, dropping to 0.6% above £1m
Redmayne-Bentley	0	50	50	0	0.85	0.85	0.85	0.85	0.85	0.85	By negotiation			Y	1.75% on 1st £10,000; 0.5% on the next; £10,000 - £10 contract charge	Sliding scale from 1.05%
Rothschild Wealth Management	14		5000								From 1	No	FX transactions	Y	None	
Ruffer	41.25		250		1	1	1	1	1	1			0	Y	Ruffer does not charge commission to clients but does pass on market dealing charges at cost	Discounted to 0.2% +VAT in own unit trusts. Tiered above £2m
Sarasin & Partners	60.4		500		1	1	1	1	1	0.96	0.87 at £5m (0.4-1)			Y	Nil	
Saunderson House Limited	0	750	100		1.25	1.25	1.13	1.06	0.86	0.76	0.55-0.66			Y	There is no additional dealing charge for UK-based assets. For assets deemed "non-UK" there is a £10 transaction charge	Tiered; 1.25% up to £2m, drops to 0.5% over £10m
Seven Investment Management	85		200			0.25	0.25	0.17	0.08	0.06	0.03	£40 + VAT	Fund costs and VAT	Y	Nil	
SJP	0	5	100		1	1	1	0.75	0.5		By agreement			N/A	No dealing commissions; fee only	Tiered; 1.25% up to £1m, drops to 0.7% over £5m
Smith & Williamson	4	0	0	0	0.8	0.8	0.8	0.8	0.8	0.65	0.53		Custody and dealing charges	Y	Dealing commission - 4% for fixed interest; 0.6% for all other investments; minimum £40 transaction charge; £50 on transaction in overseas holdings	
Societe Generale Private Banking Hambros	10				1.5	1.5	1.5	1.5	1.25	1		£7,500.00		N/A		
Standard Life Wealth	35.54		1000											Y	No charge levied for dealing. It is part of the overall service and included within the AMC	
Thesis Asset Management	1		150		1.2	1.2	1.2	1.2	1.2	1.2	1.2	£2,000.00		Y	Included in our annual management fee. No additional dealing charges	Advisory only; charged per hour
Tilney Bestinvest	11	100	250			1.25	1.13	1	0.88		By negotiation		VAT	Y	£15 bargain charge	Custody charges apply: 0.15%-0.2%
UBS Wealth Management (UK)	17.36	1000	500											Y	£0	
Vestra Wealth	0	500	500		1	1	1	1	1	1	1		For portfolios of less than £1,000,000 contract fees will be charged (£30 per UK bargain and £50 per overseas bargain). VAT will be applied where applicable.	N/A	See Q11	Discounts may apply
W H Ireland		100	100		1	1	1	1	0.75	0.67	Fees are negotiable	£1,000	Transaction - £17.50	Y	Fee with no commission - 0% fees and commission. Equity-type transactions: first £10,000 - 1.95%; next £15,000 - 0.5%; excess - 0.3%	0.3% over £70m
Waverton Investment Management	12.48		500				1.2	1.2	1	0.93	0.88			N/A	Up to 0.15% per equity transaction	

Source: Wealth-X Private Client Wealth Management Survey 2016

Bigger seems to be better for wealthy clients

Survival of the fittest: but there is no sign of higher fees as yet, according to Wealth-X — Getty

MERGERS

Management groups have consolidated over recent years

DAVID BARKS

This year's survey of leading wealth managers in the UK reveals a significant growth in the average number of clients at each wealth manager over the past three years. In that time, advisory assets under management (AUM) have grown 70 per cent.

For the past seven years, Wealth-X Custom Research has partnered with the Financial Times to inform readers of changes in and performance of the UK's wealth management industry.

This year we received responses from 43 wealth managers, including eight of the 10 largest in the market. Two years ago, our analysis found the typical UK wealth manager had about 14,700 clients; today they have 19,100 — a 30 per cent increase. Over the same period, the average discretionary AUM a wealth manager controls has barely changed (£4.9bn in 2014, rising to £5.1bn in 2016), whereas average advisory AUM has grown from £2.1bn in 2014 to £3.6bn in 2016.

In our view, there could be a number of reasons for these changes including:

- Increased pension freedoms at retirement have meant more wealthy people seeking advice on their options
- Additional costs from the retail distribution review (RDR), which added to regulation of the sector, have driven mergers and acquisitions of small wealth managers.

New pension freedoms have also given wealthy baby boomers the opportunity to take control of their retirement income. The Association of British Insurers says that in the first three months since pension reforms were introduced in April 2015, £2.5bn was withdrawn from pension pots; of which £1.3bn was taken in lump sums. Retirement is a key advice point for many wealthy individuals and they have more options thanks to these freedoms.

Mergers and acquisitions have been a feature of the wealth management market recently. Looking through the names of wealth managers in this year's survey, two merged examples jump out: Tilney Bestinvest and Quilter Cheviot. Most of the protagonists cite the benefits of scale in coping with the additional administration, training and compliance costs, mainly predicated by RDR. It appears many clients have been retained in the new larger businesses.

Nonetheless, clients of the wealth managers surveyed by Wealth-X tend not to have seen their fees increase since last year. Two factors may have contributed to this. First, more wealth managers are using a finite range of investment products, rather than an open architecture through which they can select from products from many asset managers.

Second, many wealth managers have moved lower value discretionary clients into funds with model portfolios. While clients may not have noticed a considerable change in how their investments are managed or distributed between assets, this is a considerably cheaper structure for many providers.

Despite all these changes, clients do not appear to have experienced a drop in service. In 2014, the average number of clients at each adviser was 175; now it is 180. On this basic measure, frontline services have been protected. And with better trained advisers now advising clients, increasingly they should be being placed in more appropriate products and investments.

Wealth-X has not noticed significant falls in satisfaction in client surveys for wealth managers. However, how wealth managers achieve brand affinity to new larger institutions and respond to the growing "threat" of technology will determine which are most successful in serving the wealthy in future years.

David Barks is an associate director at Wealth-X Custom Research, the global provider of wealth intelligence and research partner of the FT Private Client Wealth Management survey for the past seven years

Services

Wealth manager	UK offices	Number of advisers	Advisers joining in 2015	Active individual clients	Value of Advisory AuM (£m)	Value of Discretionary AuM (£m)	Value of Execution only AuM (£m)	Investment products/services used	Access to Alternative Finance / Crowdfunding	Advisory Investment Management	Banking	Brokerage	Charity Services	Commodities	Concierge	Discretionary Investment Management	Hedge Funds (including funds of funds)	In-house Fund Management	Insurance	Mortgages	Offshore services	"Online Discretionary Investment Management	Online services	Pension and Retirement Planning	Philanthropic Planning	Private Equity	Tax Planning	Trust & Estate Planning	Other
ACPI	1	11	3	96	500	1516	0	Not answered		X						X	X	X								X			
Adam & Co	4	51	5	11800	0	1200	0	Entire market ('Open Architecture')			X				X	X		X		X			X	X	X				
Arbuthnot Latham	3	45	5	3795	9	691	40	Entire market ('Open Architecture')	X	X	X	X	X	X		X	X		X	X	X		X	X		X	X	X	
Barclays Wealth and Investment Management	26	510	30	15500	10000	2000	6000	Selected universe ('Guided Architecture')		X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X		X	
Brewin Dolphin	28	447	10	70000	3500	25900	3800	Selected universe ('Guided Architecture')					X	X		X					X			X	X		X	X	
Brooks Macdonald Asset Management	10		0	18300		7822		Entire market ('Open Architecture')					X			X		X			X								
C Hoare & Co.	2	21	2	1707	2051		450	Entire market ('Open Architecture')			X	X	X			X					X		X	X	X		X	X	
Canaccord Genuity Wealth Management	4	109	9	12000	3290	4850	3797	Selected universe ('Guided Architecture')		X		X	X	X		X		X			X			X			X	X	
Cantab Asset Management	2	8	0	350	91	298	0	Entire market ('Open Architecture')		X			X			X	X		X				X	X	X	X	X	X	
Cazenove Capital Management	6	84	0	5153	728	21147	3992	Entire market ('Open Architecture')			X		X			X	X	X		X	X			X	X	X	X	X	
Citi Gold	4	29			74		14	Selected universe ('Guided Architecture')		X	X	X							X		X		X						
Citi Private Bank	2	38	3		12000	8250		Entire market ('Open Architecture')		X	X	X		X		X	X	X	X	X	X		X		X	X		X	X
Close Brothers Asset Management	8	155		66000		9100		Selected universe ('Guided Architecture')		X			X			X		X			X		X	X	X		X	X	X
Coutts	17	292			500	1130	2000	Selected universe ('Guided Architecture')		X	X	X	X		X	X			X	X	X		X	X	X	X	X	X	
Credit Suisse	3	59	8	1987				Selected universe ('Guided Architecture')		X	X	X	X	X		X	X	X	X	X	X		X	X	X	X		X	
Dart Capital	1	3	0	364	23	324	0	Selected universe ('Guided Architecture')								X								X					X
Equilibrium Asset Management	3	6	0	817	58	450		Entire market ('Open Architecture')		X						X								X			X	X	
GAM	1	10	0	410	146	2039		Selected universe ('Guided Architecture')		X			X			X	X	X			X								
Investec Wealth and Investment	15	388	9	60000	5885	21657		Entire market ('Open Architecture')		X			X			X	X				X		X	X	X			X	
Investment Quorum	1	4	0	452	18	187	0	Entire market ('Open Architecture')		X						X			X		X			X			X	X	
JM Finn	5	88	0	15000	5155	1812	685	Entire market ('Open Architecture')		X			X			X		X											
Killik & Co	9	75	12	22000	3009	1289		Entire market ('Open Architecture')		X		X	X		X	X					X			X	X		X	X	
Kleinwort Benson	3	36	4					Entire market ('Open Architecture')	X	X	X		X	X		X	X	X		X	X			X	X	X		X	
London & Capital Asset Management	1	12	0	1000		1400		Entire market ('Open Architecture')								X	X	X						X		X		X	
McInroy & Wood	3	10	0	709		1139		Entire market ('Open Architecture')								X													
Quilter Cheviot	12	165	2	39452	1484	15133	17	Entire market ('Open Architecture')		X		X	X			X		X			X		X						
Rathbones Investment Management	16	273	18	32777	23986	1096	1018	Entire market ('Open Architecture')		X	X		X			X		X			X		X	X	X		X	X	
Redmayne-Bentley	37	93	8	168721	937	671	3200	Entire market ('Open Architecture')		X		X	X			X							X						
Rothschild Wealth Management	3	41	4	1495	355	6091		Entire market ('Open Architecture')		X	X	X	X	X		X	X	X		X	X		X		X	X		X	X
Ruffer	3	35	0	5567	0	5769	0	Entire market ('Open Architecture')					X			X		X			X								
Sarasin & Partners	1	20	1			2500		Selected universe ('Guided Architecture')					X			X		X			X		X						
Saunderson House Limited	1	51	0	1900	4001			Entire market ('Open Architecture')		X			X			X							X	X	X		X	X	
Seven Investment Management	2	48	9	17595	7743	2322	25	Entire market ('Open Architecture')		X			X			X		X			X		X						X
SJP	22	3113	278	263000	60800	1200		Selected universe ('Guided Architecture')		X	X		X			X	X		X	X	X			X	X		X	X	
Smith & Williamson	7	170	17	16000	1296	10770	1677	Entire market ('Open Architecture')		X	X		X			X	X	X			X		X	X	X	X	X	X	X
Societe Generale Private Banking Hambros	8	77	7	5500	2900	2200	2500	Entire market ('Open Architecture')		X	X	X	X	X	X	X	X			X	X		X	X	X	X	X	X	
Standard Life Wealth	6	43	3	11600		6508		Entire market ('Open Architecture')					X			X					X								
Thesis Asset Management	4	15	0	3900		9900		Entire market ('Open Architecture')					X			X													
Tilney Bestinvest	24	212	62	70877	5828	1410	2162	Entire market ('Open Architecture')		X		X	X	X		X	X	X		X	X	X	X	X		X	X	X	
UBS Wealth Management (UK)	7	209	20	8594	7839	10028	16992	Selected universe ('Guided Architecture')		X	X	X	X	X		X	X	X	X	X	X		X	X	X	X	X	X	
Vestra Wealth	3	60	10	7000	4348	1003	2503	Entire market ('Open Architecture')		X		X	X	X		X	X				X			X	X	X	X	X	
W H Ireland	7	94	4	7361	869	715	860	Selected universe ('Guided Architecture')		X		X	X	X		X	X				X		X	X	X	X	X	X	
Waverton Investment Management	1	21	0	2000		3776		Entire market ('Open Architecture')					X			X		X			X								
Totals	326	7231	543	970779	169423	195293	33653		2	30	16	17	34	13	5	42	19	23	10	13	32	1	23	27	22	17	20	27	6
% offering services									5%	70%	37%	40%	79%	30%	12%	98%	44%	53%	23%	30%	74%	2%	53%	63%	51%	40%	47%	63%	14%

Source: Wealth-X Private Client Wealth Management Survey 2016

PRIVATE CLIENT WEALTH MANAGEMENT

From parties in Barcelona to wedding elephants

CONCIERGES

How wealth managers woo clients by offering additional services

ATTRACTA MOONEY

When Ed Clare, a property developer, organised a friend's stag party in Barcelona this year, he knew exactly who to turn to help him plan the four-day trip: his wealth manager.

He picked up his phone and called a concierge service provided by Coutts, the private bank and wealth manager.

After an "informal chat", the concierge sent over an itinerary packed with suggestions for the best bars, clubs and restaurants. As a result, the stag do was "really great", the 30-year-old says.

It was one of the simpler requests that Coutts concierge service, run by Ten Group, has had. In the past, its clients have asked it to arrange a wedding ceremony on Juliet's balcony in Verona, source an elephant for a wedding reception and arrange for a client's daughter to play the organ in Notre-Dame Cathedral in Paris.

Steven Light, director of digital at Coutts, says: "[The concierge] is sourcing things for people that they can't get themselves or don't have the time to get."

Coutts is "focusing a lot of attention" on providing clients with additional services outside finance, he adds.

"You need to get the basics right — the banking and wealth management. You need to do these well. But the extra services add to the experience [we offer]. And this is hugely important to us," says Mr Light.

Coutts is not exceptional in expanding beyond its traditional remit. Across the board, wealth managers and private banks offer a wide array of non-financial services as they attempt to engender client loyalty.

These extras range from philanthropy services to events aimed at young people, such as a "next-generation" summit offered by Julius Baer, the Swiss wealth manager, where Google employees have spoken.

HSBC Wealth Management also offers seminars for the children of some its clients, as does SGPB Hambros, the UK private bank and wealth manager. At its finance academy, its clients' children can spend two days learning about wealth planning and investment management.

Jason Butler, a personal finance expert, says these extra services often prove popular with clients because they remove hassle from their lives.

"The most progressive [wealth managers] know that they deliver value by making sure that they help clients to be clear what they want from life, work out how best to achieve that and then make sure it happens with minimum hassle, cost and complexity," he adds.

Stag party venue: Park Guell in Barcelona — iStock

Mr Butler says wealth managers such as KMD Private Wealth Management, the UK company, will help clients to find suppliers, ranging from housesitters to yacht brokers, or will look after a household by paying bills and renewing insurance.

UBS Wealth Management is another company that is focusing on the little extras it can offer clients. Tom Hall, head of philanthropy services at the Swiss wealth manager, says the company has "put a significant amount of resources into developing new services outside traditional wealth management" over the past two years, including a range of philanthropic services to help clients in their charitable endeavours.

Other wealth managers try to build loyalty by offering events. Indosuez Wealth Management organises around 150 different events for clients each year, including a Wealth & Beyond Summit, where speakers have included former ministers and technology experts.

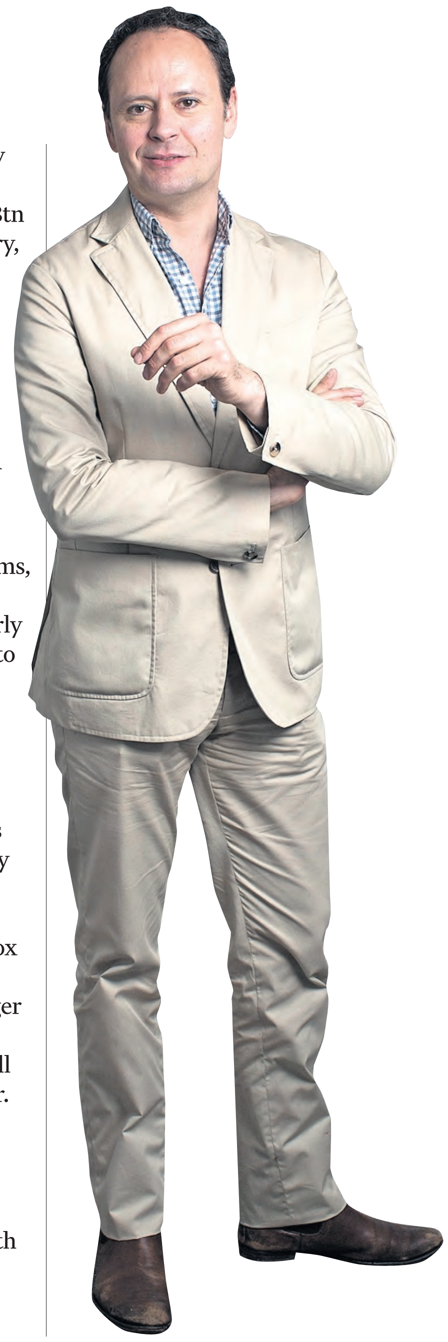
Holly Mackay, founder and chief executive of Boring Money, a finance website, says services such as a concierge can help a wealth manager or private bank stand out from the high street competition.

But some are less convinced by their benefits. Lee Goggin, co-founder of findawealthmanager.com, an online platform, says: "I believe fewer clients are expecting or indeed want these services to be offered.

"We are in a low-return environment so clients are focused on investments and safety rather than jolly ups."

Hugo Greenhalgh Investing

Focus on costs when returns are low



Know your customer may have become the new maxim for the UK's £1.8tn wealth manager industry, but actually remembering them might be a good start.

The industry is currently in the throes of merger mania, as companies seek to plug gaps in their offerings, take on more clients and reach that sweet spot of funds under management when they can finally turn a profit.

Change might be good for the firms, but where does it leave you, the client? Many customers, particularly older ones, will have become used to their trusted adviser; someone they have turned to many times over the years who knows and understands their affairs as well as they do.

What happens when the family's wealth manager gets snapped up by a larger, often non-UK, company? The oak-panelled office might be replaced by an anonymous glass box in a corporate skyscraper, but a bigger worry is whether the manager you have built up a special relationship with over the years will move on to another firm altogether. Mergers might be better for a company's bottom line, but they might not necessarily be for yours.

Merger and acquisition activity, particularly among midsized wealth managers with £5bn-£10bn under management, has been high for a number of years. In 2013, Swedish bank Handelsbanken snapped up wealth manager Heartwood. The same year, Permira, a private equity group, swooped on Bestinvest, a UK private client group, before scooping up former stock broker Tilney a few months later.

In one week alone in March this year, two further firms fell into the clutches of larger companies. Liechtenstein's LGT Group took a majority stake in London-based boutique, Vestra Wealth, and Société Générale moved to buy City stalwart Kleinwort Benson.

Scorpio Partnership, the wealth management consultancy, recently reported that the number of wealth management deals for 2015 had surged to 124 — up from 83 the year before.

But what have been the effects of this merger mania?

So far, wealth managers say the wave of consolidation has not put up prices for clients — a fact borne out by the data in this year's survey by Wealth-X.

At a time when investment returns are dwindling, fee rises will be distinctly unpalatable for clients, so newly enlarged firms will be seeking to make savings through economies of scale.

"Customers should expect charges to trend downward," says Robin Savage, research director at Zeus Capital, the corporate finance boutique. "The market is fragmented and will continue to be fragmented even after consolidation."

For John Barrass, deputy chief executive of the Wealth Management Association, further M&A activity is likely to benefit the wealthy.

"There will still be enough competition to keep a lid on fees, and wealth managers that are acquired will deepen their range of funds and services," he predicts. "Consolidation is about gaining economies of scale and driving costs down rather than up."

But what happens when your trusted adviser moves to another company in the wake of the merger? Can you follow them without incurring the usual initial fees?

In a word, no. Many companies will have written into their employees' contracts what is known as a "no approach clause", precisely to prevent them from taking their clients with them. Fair enough, you might think, but little help if your favoured smaller, boutique wealth manager is now part of a global conglomerate.

The problem for the wealth managers is one of capacity. If your adviser has funds of between £5bn and £15bn, it is hard for them to make money. Not your problem, of course, but an issue for the industry that will only deepen over the next few years.

> The current merger mania might play in your favour. Competition to gain your funds has never been hotter

So what should you do? Move? Well, if you do, be careful of what Charles Calkin, head of financial planning at James Hambro & Co, calls "lobster pot investments".

These are where you're lured into an investment management service not fully understanding the costs and consequences of signing up, and which may, he explains, subsequently be difficult to exit. "A surprising number of firms can trap you. You may find some rewarding the sales rep who smooth-talked you in with 3 per cent of your initial investment and requiring you to stay for six years.

"Some wealth managers can imprison you with invisible chains, by putting your assets in their own funds that can only be held by clients of that firm," he adds.

Mr Calkin's point is a simple one, but worth stressing: when you choose a manager it is perfectly reasonable to expect no value-based initial fees and no exit fees. In a low-return environment the focus on costs should be greater than ever. "I suspect the spotlight will be increasingly shone on these practices, which can only be a good thing for the investor," he argues.

But wealthier parent companies also come with deeper pockets. Just because the ultimate owner of your adviser might be thousands of miles away it doesn't mean that service has to suffer — you could find it is quite the opposite.

Robo-advice — the provision of automated online advice — which is being watched carefully by managers large and small, would be far too expensive for many of the more niche wealth advisers to be able to afford. With a larger parent, you might just find your suite of services has extended far beyond what you were previously offered.

Ultimately, the current merger mania might play in your favour. The UK's financial services industry is fragmented enough to cope with further consolidation — and competition to gain your funds has never been hotter.

So the message is simple — don't be afraid to make demands on your existing wealth manager — or go and find a new one.

Hugo Greenhalgh is the FT's Wealth Correspondent, and editor of FT Wealth Magazine. To read a free selection of articles online, visit FT.com/wealth

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