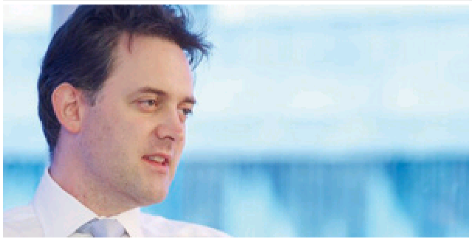

JPM reveals what to give the client who has everything

By Sara Smith | 09:15:15 | 02 February 2009

Clients are likely to favour independent financial advisers (IFAs) even when wealth management services are more suitable because of a lack of understanding of the profession, according to a survey by JPM Asset Management.

The survey, which questioned 200 high net worth individuals, found many did not understand the specific role specialist investment managers and private banks fulfil that IFAs could not.

Chris Sandford, head of business development at Rensburg Sheppards, put this down to a lack of education. He said: ‘It is important to educate underlying clients about what you can do for them and one way to do that is to educate the IFA, who needs to understand what it is you as a wealth manager can bring to the party and how much more you can offer the client.’

Elsewhere, the survey, which was divided between high earners under the age of 35 and asset-rich respondents over the age of 55, showed the majority of high net worth individuals who select a wealth manager instead of an IFA choose largely as the result of a personal referral.

JPMorgan said it was surprised by the high value the respondents placed on personal referral after 82% of under-35s and 67% of over-55s rated it as a top priority.

One respondent, who highlighted the importance of referrals, said: ‘One reason I haven’t gone with a private bank/wealth manager is because finding them can be a bit of a nightmare. It’s not like they’re in the Yellow Pages. A central point of access would be useful.’

The wealth management division of Bestinvest said it already recognises the importance of recommendations.

A spokesperson said: ‘Client referral is a big source of new business. We use a range of strategies, from holding events to straightforward cash incentives for introducing prospects.’

Jasper Berens, head of UK retail for JPMorgan, warned that firms should not underestimate the power of referrals. He said: ‘All wealth managers hoping to grow their client base need to put in place a systematic approach for generating new referrals from existing clients.’

Meanwhile, brand and reputation ranked higher than the size of a firm, which suggests there is a strong market for medium-sized and smaller wealth management firms that ‘brand’ themselves well. When making a choice about which wealth manager to select, more than 80% of wealthy individuals placed high importance on a firm with similar clients to themselves.

James Goward, director of marketing and business development for Thesis

Asset Management, said this reflects clients desire to feel ‘safe’ with their wealth manager. He said: ‘Clients want the reassurance and the confidence that their advisers have the competence and experience not to be out of their depth when presented with the client’s set of circumstances and objectives.’

Unsurprisingly, the strength of a manager’s performance record was also rated highly, as was the breadth of investment choice. A large number of clients said they would want to be able to see the performance of existing clients’ portfolios or be able to speak to existing clients with similar objectives.

A key investment priority of high net worth individuals in both age groups is to maximise capital growth. This was the top priority for 55% of the young high earners and 43% of the asset-rich elders. Both age groups also rated the generation of regular income highly, although a larger number of under-35s put regular income as their first priority compared with the over-55s. Berens said: ‘The results suggest many young higher earners do not understand the difference between investment yield and growth, underlining the need for good investment guidance.’

Another high-ranking concern is the ability to keep pace with inflation, a factor that was more important to asset-rich elders, who also place it as a greater priority than reducing tax, while for the under-35s reducing tax was rarely highlighted as a priority. Lower down the table of concerns came preserving wealth for future generations, something the over-55s were more concerned about. On the other hand, the under-35s were slightly more interested than their older counterparts in managing wealth for philanthropic purposes.

JPMorgan said the survey shows the economic downturn has led high net worth clients to become increasingly fastidious about what they require, posing a challenge to those investment managers needing to bring in clients and retain existing ones. Berens said: ‘In the current climate it more important than ever to know – not to guess at – what prospective clients really want.’

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