Growth at Risk

Defining, Communicating, and Delivering Value
in an Increasingly Competitive Landscape

FIRMA Virtual Conference
May 13, 2021

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WISE

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GROWTH AT RISK

SLOW GROWTH

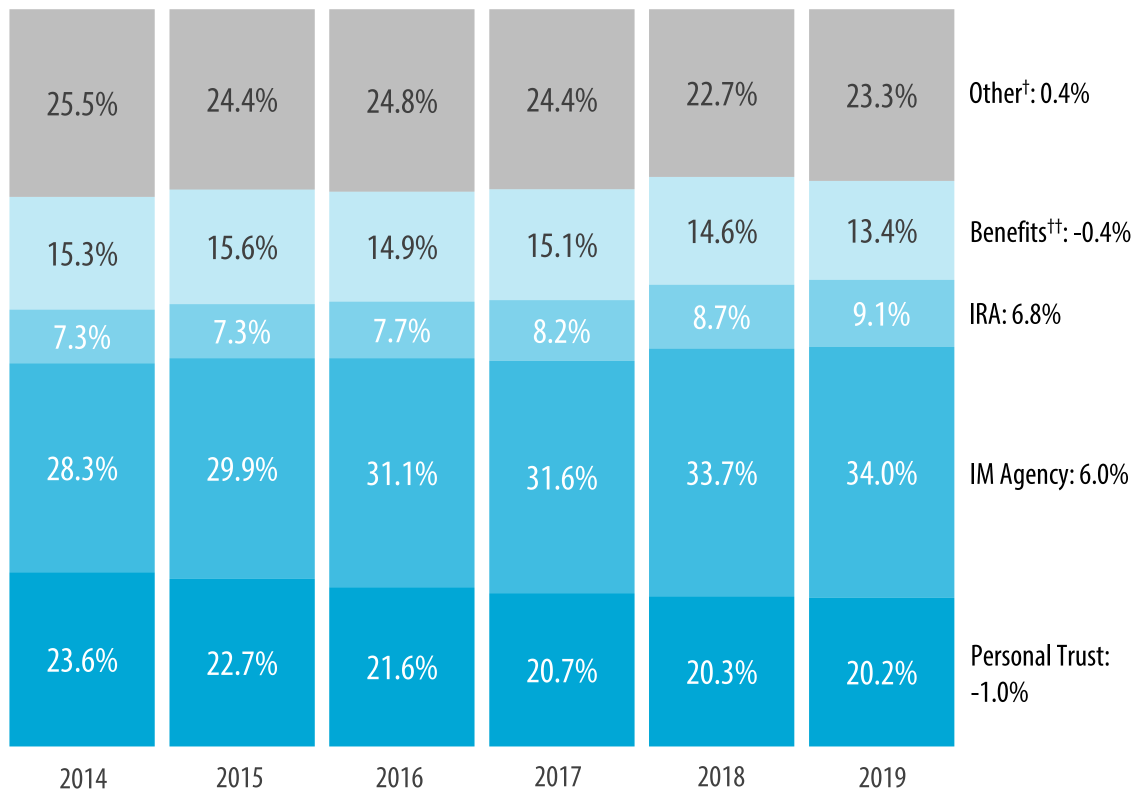
| MODEST GROWTH IN INVESTMENT MANAGEMENT AND TRUST

Investment Management and Trust Revenue Composition

Total Market, 201 –201 [1]

Revenue Growth Rates

2014–2019 CAGR



2014–2019 Compound Annual Growth Rates:

United States: 2.2%	Middle Atlantic: 0.6%

Concerns About Growth Prospects

Organic growth rates lag overall growth rates considerably. Conservatively, inorganic growth and market effects account for at least 25% of overall changes in revenue, and likely half or more depending on the market segment.

Declining demand for corporate trustees. One reason: more individual trustees. Since 2013, total personal trust accounts have declined 2.5%[4]. Of those with personal trust accounts, most households act as their own trustee while alive and name spouses as successor trustee.

Weakening trust demand makes differentiation harder. Trust powers are a key difference for firms that have them, yet trust is shrinking relative to investment management and other lines of business.

Slow growth and price competition in other asset management businesses will increase competition in wealth management. Investment management fee compression and challenges in institutional lines of businesses are likely to spur greater competition in the HNW market.

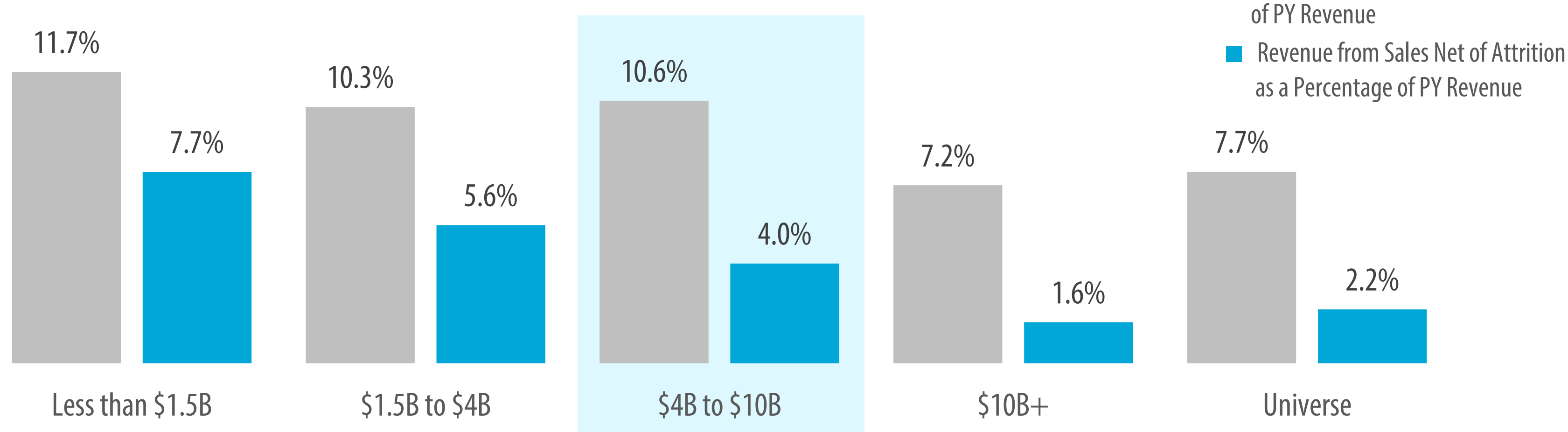
Notes: [1]Source: FFIEC. Sample includes every company that files a Consolidated Report of Conditions and Income (AKA a call report). [2]Other: Foundations and endowments, corporate trust, other fiduciary accounts and revenue. [3]Employee benefits: defined contribution and defined benefit accounts. All metrics on this page exclude custody. [4]Source: Spectrem Market Insights.

SLOW GROWTH

| ORGANIC GROWTH

IM & Trust Sales Net of Attrition, as a Percentage of Prior-year Revenue (Weighted Averages)

By total AUM; sample only includes firms that provided sales, retention, and revenue growth data



Revenue Growth Rates (Weighted Averages)

Less than $1.5B	$1.5B to $4B	$4B to $10B	$10B+	Universe
8.9%	10.4%	8.7%	3.5%	4.3%

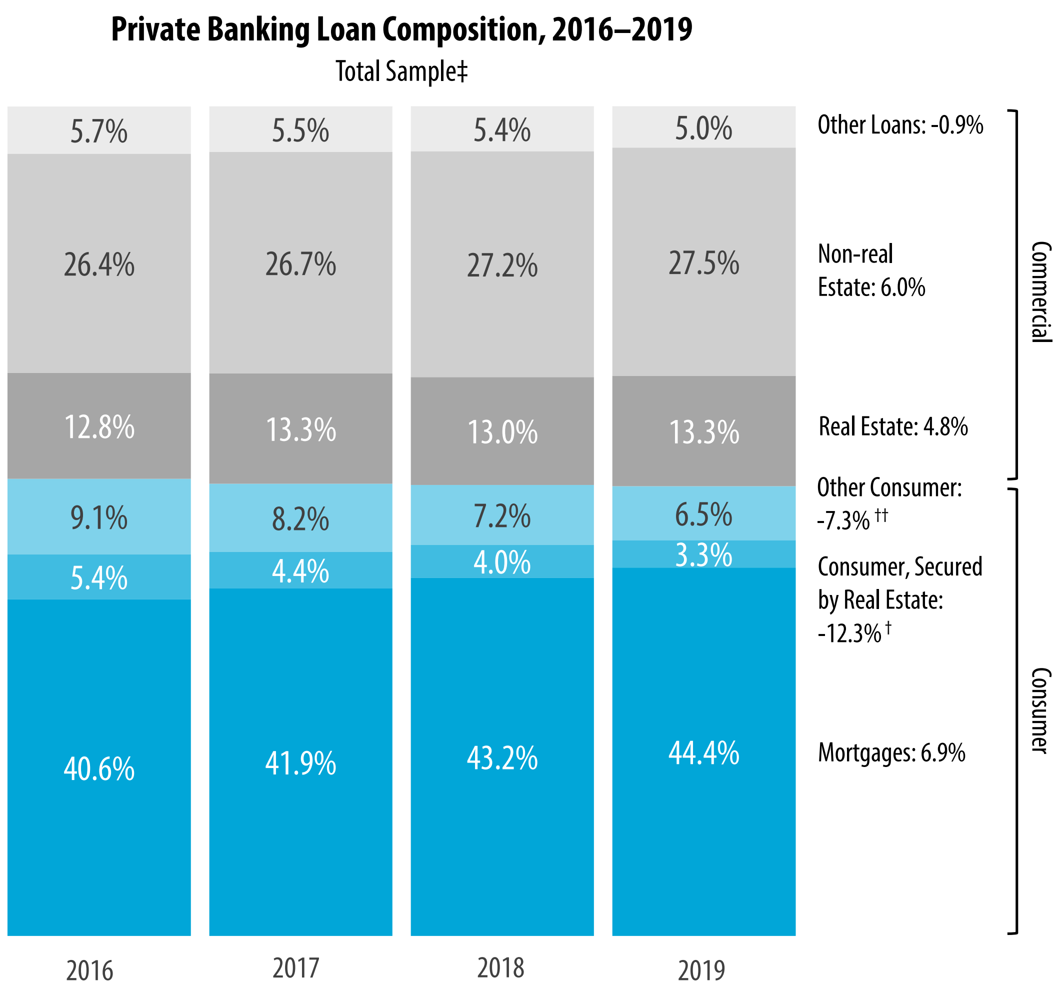
Revenue and Asset Retention, 2018 (Weighted Averages)

	Less than $1.5B	$1.5B to $4B	$4B to $10B	$10B+	Universe
Revenue Retained	95.7%	95.5%	93.9%	93.4%	94.9%
AUM Retained	95.4%	93.3%	93.6%	92.1%	94.0%

Notes: Growth rates are compound annual growth rates.

SLOW GROWTH

| MODEST GROWTH IN PRIVATE BANKING



2016–2019 Compound Annual Growth Rate: 3.7%

Change in Loans Outstanding

Total Market* vs. Private Banking‡

	2016–2019	2018–2019
Total Market, Loans Outstanding*		
Consumer	2.9%	3.3%
Commercial	4.6%	3.2%
Total Loans	3.7%	3.3%
Private Banking, Loans Outstanding‡		
Consumer‡	3.1%	3.6%
Commercial‡	5.5%	6.1%
Total Loans‡	3.7%	3.9%

Notes: [1]WISE data. WISE data are the averages for the universe (all firms); the sample is longitudinal. Growth rates are compound annual growth rates.

COMPETITIVE LANDSCAPE

| COMPETITIVE THREAT: RIAS AND BROKERS

Competitive Advantages of RIAs: Perspectives of WISE Members

Competition for Clients
- Better branding and marketing
- Stronger sales cultures
- Better buyer experience
- Superior/newer technology
- Can claim to act as a fiduciary

Competition for Talent
- Entrepreneurial work environments
- More flexible than larger firms

> "I think the rigidity at some of the [large wealth managers] drove many employees to leave. Some of the growth of RIAs arose from people getting frustrated. They didn't want to do all the stuff that the large firms were telling them they had to do."
>
> - Executive Vice President, Private Bank

COMPETITIVE LANDSCAPE

| COMPETITIVE THREAT (AND OPPORTUNITY): PARTNERSHIPS

How It Works: Trust Partnerships

Independent trust company focuses solely on trust administration, partners with advisors, and allows them to keep the end-client relationship.

Benefits for Advisors

Clients are tied to the advisor, not the independent trust company. The advisor can more easily keep trust clients if the advisor switches financial advisory firms or goes independent.

Benefits for Clients

Clients are not tied to the firm or even the advisor. Their account can stay with the trust administrator and they can hire an entirely new advisor from a different firm with less hassle.

> **It is wrong to assume that smaller firms and RIAs have an inferior offer.** Partnerships are a competitive advantage. As an advisor, if I want a partner, I want multiple firms from which to choose.
>
> - J. Phil Buchanan, Chairman, Cannon Financial Institute

> **We want to look at gaps in the RIA service offer, see what they need to compete, and fill those gaps.** Instead of liquidating a $10M portfolio, let's just lend against it so it can stay invested.
>
> - Head of Wealth Management, Bank F

COMPETITIVE LANDSCAPE

| COMPETITIVE THREAT: "KNOWN" NON-TRADITIONALS

> The [asset] flows are overwhelmingly pointed to Schwab, Fidelity, and Vanguard. **And a lot of that is mass market and mass affluent, but not all. They are spending money to pursue the high-net-worth.** I am getting flooded with solicitations, and the firms that are most aggressive are Fidelity and Vanguard. It would be a sign of bad hubris to think that they're not major players.
>
> - Head of Wealth Management, Private Bank

2018 Barron's Top 40 Wealth Management Firms Ranking	2013 Assets ($B)[1]	2017 Assets ($B)[1]	2013–2017 Growth Rates
Bank of America	$1,082	$1,349	5.7%
Morgan Stanley	$937	$1,260	7.7%
JP Morgan	$625	$774	5.5%
Wells Fargo	$495	$604	5.1%
UBS	$403	$601	10.5%
Charles Schwab	$175	$421	24.5%
Vanguard	N/A	$406	N/A
Fidelity	$187	$400	20.9%
Goldman Sachs	$235	$300	6.3%
Northern Trust	$186	$260	8.7%
BNY Mellon	$201	$246	5.2%
Raymond James	$99	$188	17.6%
Citi Private Bank	$100	$144	9.6%
RBC/City National	$97	$117	4.8%
Bessemer Trust	$64	$86	7.5%
Top 15 Median	**$194**	**$400**	**7.6%**

Notes: [1]Private client assets

COMPETITIVE LANDSCAPE

| COMPETITIVE THREAT: FINTECH INNOVATION

Fintech startups have a head start with a generation comfortable with digital. Established wealth managers should take little comfort in whatever growing pains fintech firms might encounter. **In many ways, this is the newer companies' race to lose.**

- Wall Street Journal, September 2018[1]

60% Percent of wealth management executives who see **wealth management activities at risk** of moving to fintech companies[2]

Investing in the Future High Net Worth Client

Morgan Stanley

Morgan Stanley announced in February that it would acquire Solium Capital[1]. Solium Capital manages stock that corporate employees receive as a part of their pay. Given Solium's young customer base, Morgan Stanley appears to be moving towards a Millennial acquisition strategy.

The Reverse Migration: "Technology" to "Technology + Humans"

MERRILL
A BANK OF AMERICA COMPANY

Merrill is adding human financial advisors to its digital advice platform, Merrill Guided Investing[3]. The solution accommodates various investor types: Merrill Edge for DIYers, Merrill Guided Investing for mass-affluent, and Merrill Wealth Management for high-net-worth individuals.

Betterment

Betterment has launched a "premium" service for clients with $100,000+ that gives unlimited access to human advisors and carries an annual fee of 40 bps[4].

Notes: [1]Wall Street Journal, "Morgan Stanley, In Its Biggest Deal Since Crisis, Courts Future Millennials," Feb. 2019. [2]PWC, "Fintech Report", 2016. [3]InvestmentNews, "Merrill Lynch adding human advisers to Guided Investing robo," Jun. 2019. [4]Wall Street Journal, "Wealth Management Firms Battle Over Millennials," Sep. 2018

COMPETITIVE LANDSCAPE

| COMPETITIVE THREAT: DO IT YOURSELFERS

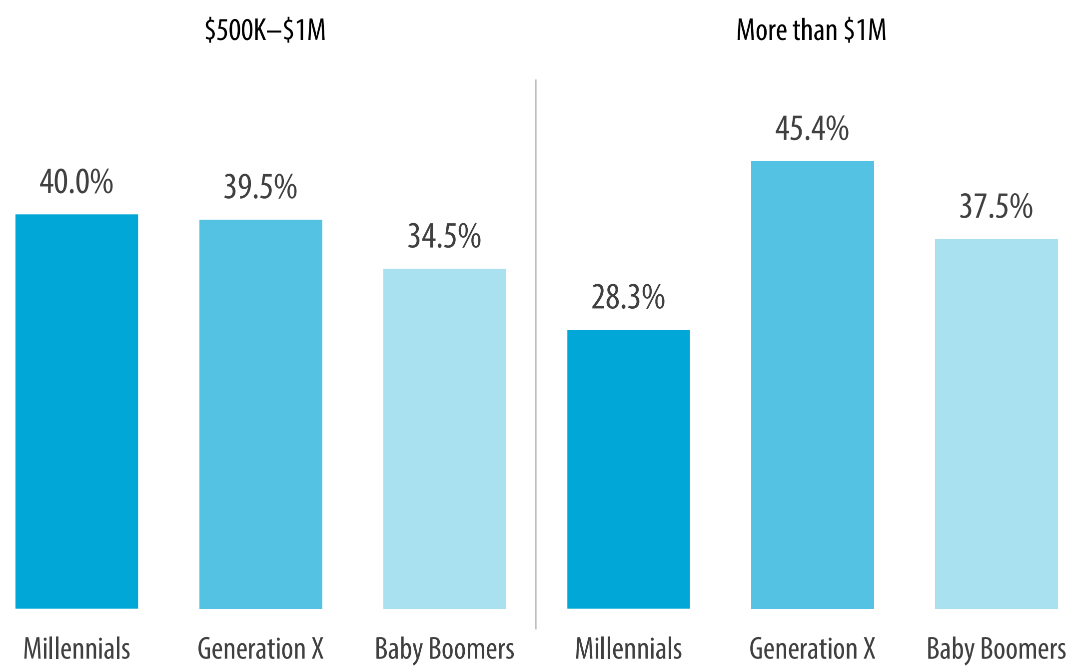
Fewer Clients are Using Corporate Trustees[1]

91% of households with $25M+ in net worth have trusts yet only **17%** of households with a trust use a corporate trustee.

44% of households with $5M–$25M in net worth have trusts. According to Spectrem, an **even smaller percentage** than $25M+ households use corporate trustees.

Overall, Spectrem data indicates that clients are leaning more towards self-directed trusts and other trust options that leave greater decision-making power with the clients.

Percent of Clients and Prospects Who Identify as Self-directed[2]



Self-directed: I make most of my own decisions without help from a professional financial advisor.

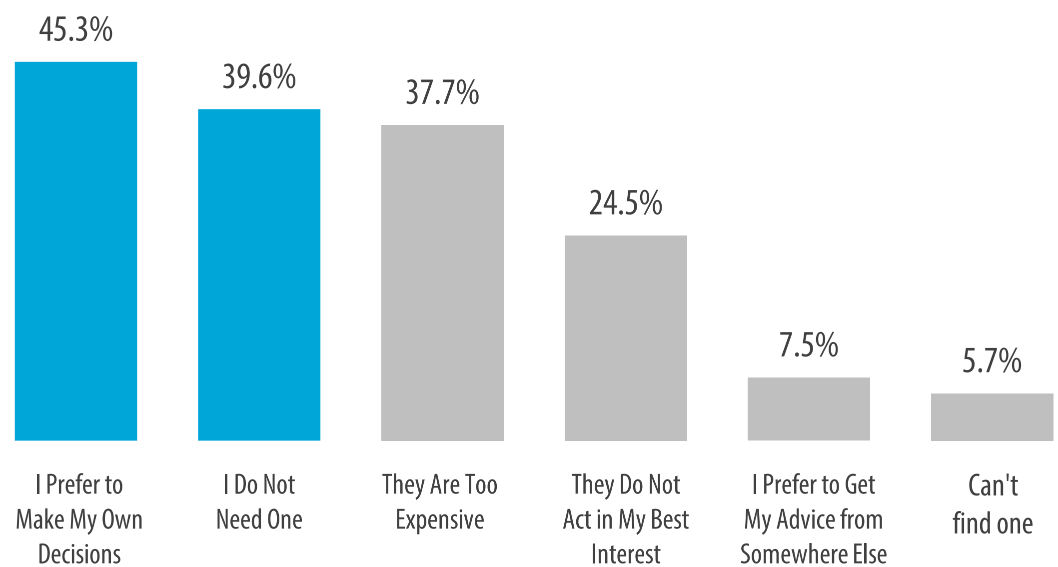
Notes: [1]Spectrem, "Eight Ways to Save the Bank Trust Market", 2019. [2]Q12: How do you make most of your decisions about your personal finances? Select one. Millennials: 18–35; Generation X: 36–55; Baby Boomers: 56–older

A STRONG VALUE PROPOSITION

| THE PARAMOUNT OBJECTION: "I'VE GOT THIS"

The "Never Buyers": Top Objections of Prospects Who Are Unlikely to Hire an Advisor[1]

Respondents without advisors who are somewhat unlikely, unlikely, or very unlikely to hire one in the future

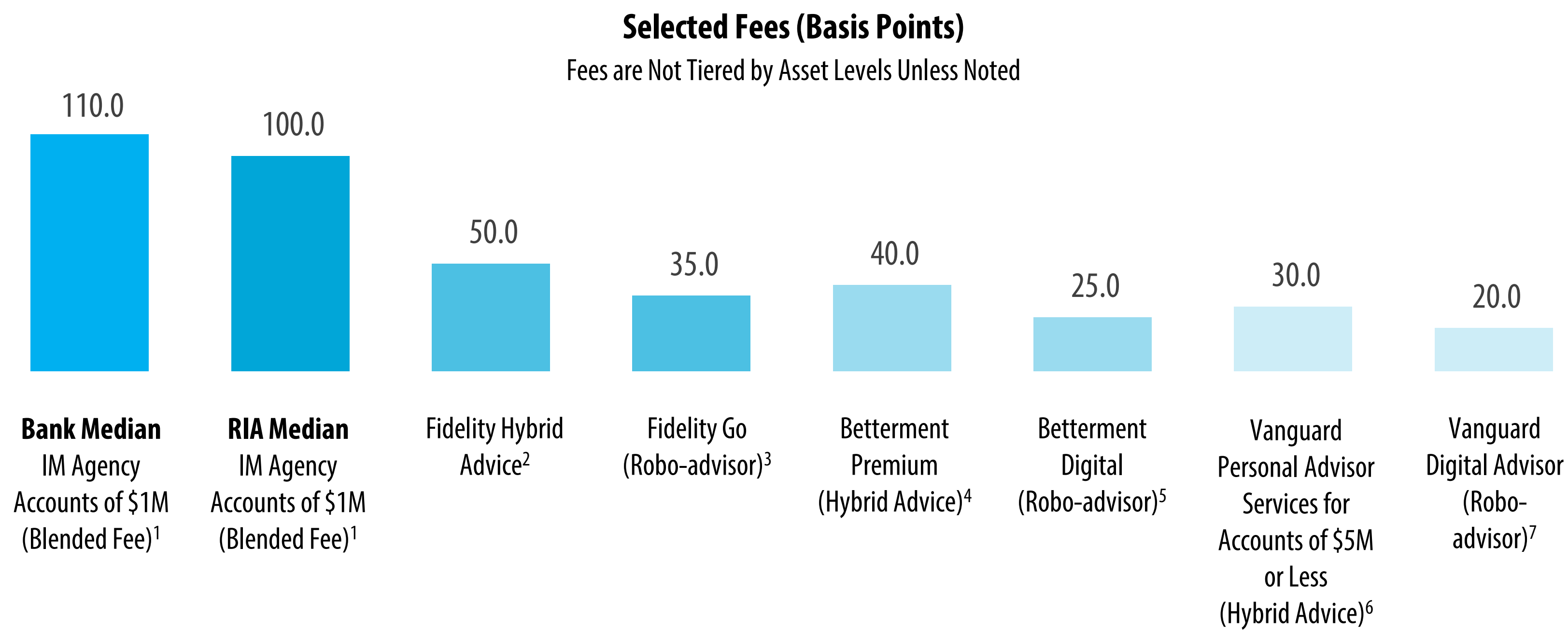


84% **of individuals who are unlikely to get an advisor describe themselves as self-directed**

Notes: [1]Q15 Why do you not have a professional financial advisor for your personal finances? Select all that apply. Unlikely to hire an advisor is defined as respondents that identified as being somewhat unlikely, unlikely, or very unlikely to hire an advisor in the future.

COMPETITIVE LANDSCAPE

RISK: DECLINING PRICING POWER



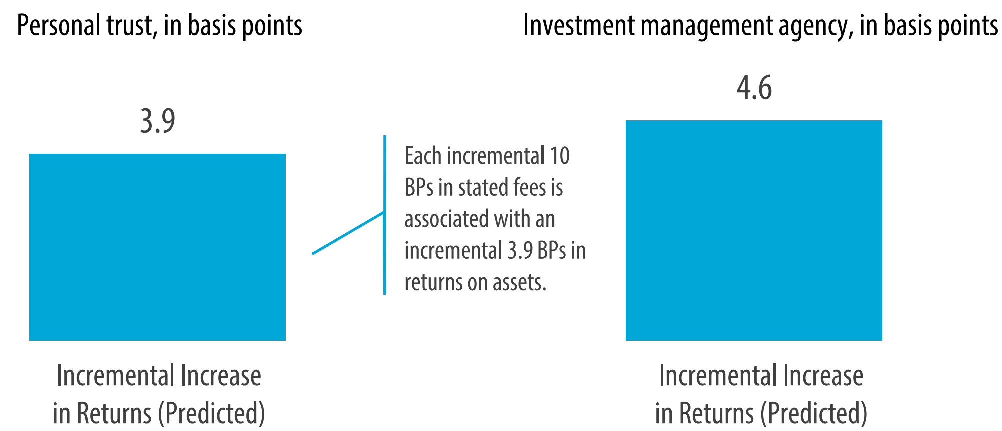
"The challenge of today's advisor is to have a value proposition that clients are willing to engage with and pay for. **What are we delivering that is worth the premium we want to charge?"**

Notes: [1]WISE Data. [2]Fidelity; $25K minimum account balance; gross advisory fee; excludes expense ratios. [3]Fidelity; robo-advisor asset-based fee is for accounts with $50K or more in assets; gross advisory fee; excludes expense ratios. [4]Betterment; $100K minimum account balance; annual fee based on account balance; premium includes unlimited access to their CFP professionals. [5]Betterment; no minimum account balance; annual fee based on account balance. [6]Vanguard; tiered based on managed assets; $50K minimum account balance. [7]Vanguard; gross annual fee; digital advisor fee includes expense ratios.

A STRONG VALUE PROPOSITION

| THE CORE HNW SERVICE IS A PREMIUM SERVICE

Predicted Incremental Return on Assets per Extra 10 Basis Points (BPs) in Stated Fees[1]



For individual firms, the change in returns will also be heavily impacted by variations in discounting practices, the overall distribution of account sizes, and other factors.

Notes: [1]WISE 2018 Pricing Study; 2016 year-end data. [2]Why do you not have a professional financial advisor for your personal finances? Select all that apply. Includes everyone who doesn't have an advisor who would never hire. Millennials: 18–35; Generation X: 36–55; Baby Boomers: 56–older.

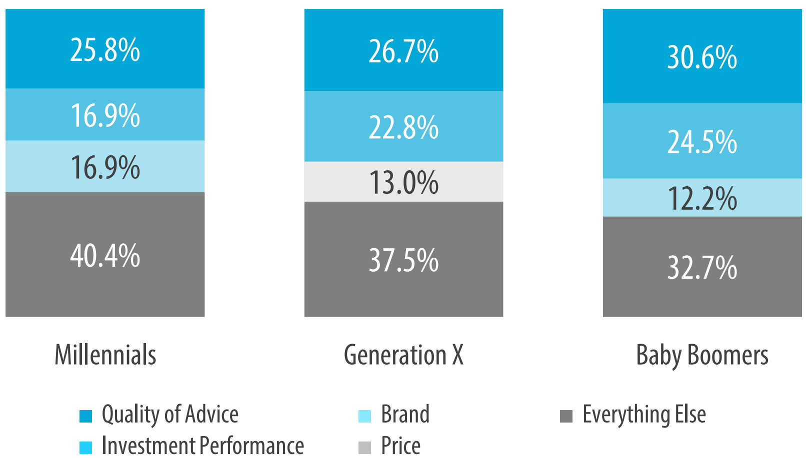
2 WINNING IN THE NEW WORLD

ADVICE AT THE FOREFRONT

ADVICE IS PARAMOUNT AND FOR GOOD REASON

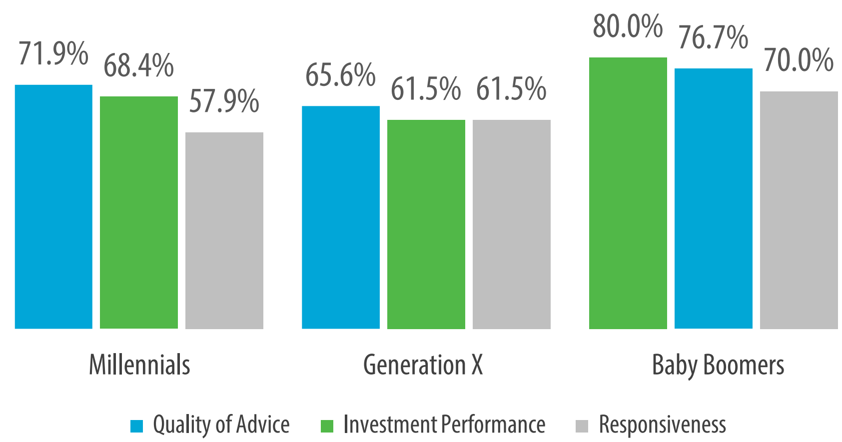
Top Three Reasons for Selecting an Advisor[1]

Respondents with advisors, by generation*. Respondents were allowed to select multiple criteria; percentages are the percent of total selections.



Top Three Reasons Clients are Satisfied with Their Advisor[2]

Respondents with advisors



Advice and Millennials: A Value Proposition for the Future

Millennials and younger consumers value advice about as much as senior generations. More broadly, generational preferences suggest that younger consumers are not fundamentally different than others*. Our data generally show a weak or no relationship between age and service preferences. Anecdotal confirmation comes from surprising places, such as reports that younger consumers use branch networks to collect information about products and services. For bank wealth managers and trust companies, this is good news, as it suggests their core value proposition is generally popular among consumers of all ages. Fears that firms need to concurrently run dual service models that appeal to young and old feel overstated.

NEW SERVICE APPROACHES

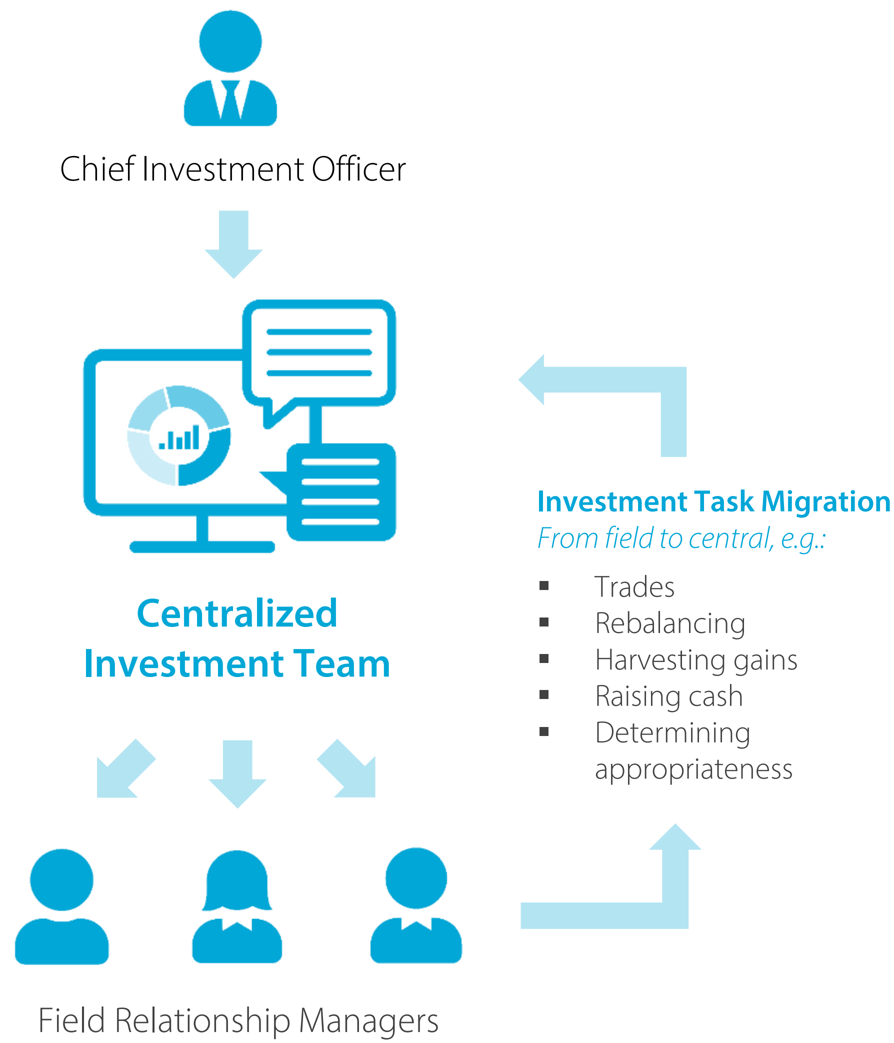
BANK A: MOVE 90% OF CLIENT ASSETS TO MODELS

Component 1: Centralized Investment Team

- **Existing Accounts.** Put existing accounts "on the rails" (move to asset allocation models—rebalance, determine capital gains, etc.)
- **New Accounts.** Onboard new accounts
- **Routine Servicing.** E.g., trade accounts based on guidelines, handle account liquidations
- **Customization.** More intensive customization (e.g., tax harvesting, customized positions, attribution analysis) is managed centrally; limited customization remains in the field

Component 2: Junior Portfolio Manager

Junior portfolio managers, centralized in the firm's headquarters, manage small accounts, typically less than $2M.



NEW SERVICE APPROACHES

BANK A: OUTCOMES AND CLIENT EXPERIENCE

Communication and Education…

- New RM profile. Team- versus individual-orientation. "You don't have to be 'the man'. You are leveraging a group, you're the voice for the team and the firm."
- Emphasis on client education. RMs need to know how to explain the firm's investment strategies and how they align with the client goals.
- New vocabulary. Client reporting and meetings shift from market-orientation to personal goals-orientation. **"We had to shift our entire way of talking ... the talk now is about the end game, about progress towards your end goals."**

…Not Implementation…

- Limited customization. Relationship managers are permitted only limited portfolio customization opportunities (e.g., picking ABC ETF/fund over XYZ ETF/fund within predetermined asset class rosters).

…Supported by New Training and Incentives

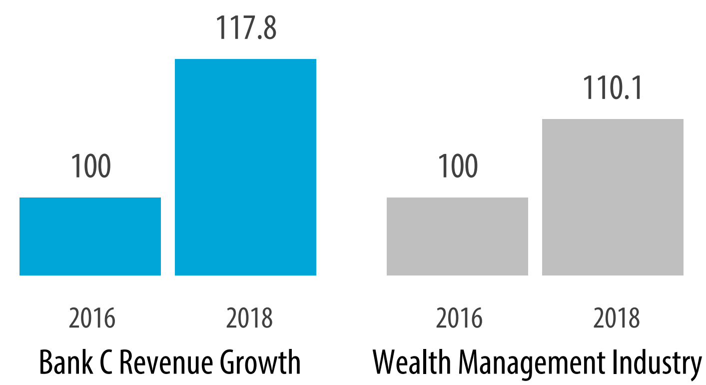
- Client service playbook. New client service experience guidelines define service standards in detail, e.g., from pre-call planning to post-call debriefs.
- Incentives for relationship breadth. (Quote box, right)

Productivity Benefits (Bank D)

Bank D, a midsize private bank, has been through a similar process and estimates that it has realized a **30% increase in productivity** in terms of account workloads for its client-facing advisors.

Expansion-driven Growth

Wealth management revenue change, 2016–2018



"Success metrics have changed. Success two years ago [for a relationship manager], it was doing $400K in new business. Success today is doing the same $400K in new business but across a broader range of services, including deposit products, credit, insurance, and planning."

- Bank C Executive

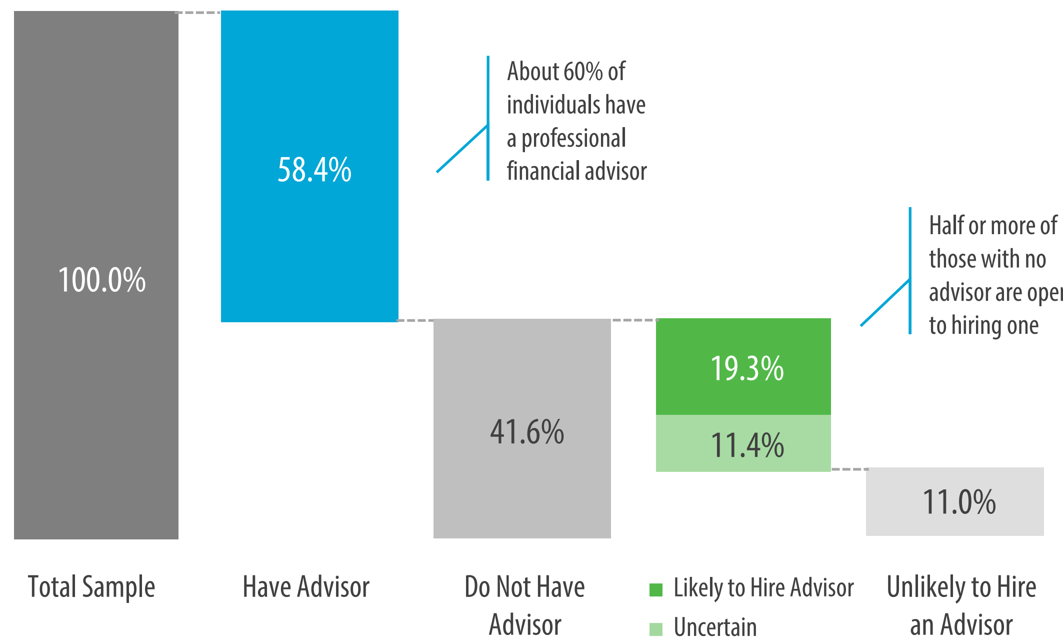
ADVICE AT THE FOREFRONT

WINNING IN THE NEW WORLD

A Blueprint for Growth

- Marketing and Branding
- Pricing
- Segmentation
- Client Relationships
- Technology
- Talent

Percentage of Individuals Who Have an Advisor or are Likely to Hire One[1]



Demand is strong: large percentages of affluent and high-net-worth Americans work with a professional financial advisor (above). In addition, advice is a key advisor selection criterion, has cross-generational appeal, drives satisfaction, and is a solid defense against fee pressure (following pages).

Notes: [1]Respondents were asked if they worked with various professional financial advisors by title, including an investment advisor, banker, broker, trust officer, wealth manager, or financial planner. They were asked not to count accountants and attorneys as professional financial advisors. These roles are included in other surveys, notably the Federal Reserve's *Survey of Consumer Finances* .

MARKETING AND BRANDING

A SIGNIFICANT EDUCATIONAL HURDLE

A Course of Action for Marketing and Positioning

- **Educate consumers about the value of advice-led propositions** By anchoring buyer perceptions around breadth of advice, deemphasizing investments in favor of attaining life goals, emphasizing solutions over products, and selling the value of professional advice versus do-it-yourself; etc.
- **Refresh brands and marketing messages to align with market trends and value propositions.** Some firms are seeking to distance themselves from specific products. They are also attempting to disassociate themselves from specific geographies or from being a bank.
- **Differentiate from competitors.** This last goal has proven elusive for most. Although some see potential in using targeted messaging to appeal to lifecycle or demographic sub-segments of the HNW market, current messaging sounds very similar, even from different types of firms (gray boxes, right).

Sounding the Same

> “**We sell financial advice.** That needs to be the centerpiece of any good value proposition in wealth management.”
>
> - Top 30 Bank by Assets

> “We don’t just manage your investments. **We can advise you on your business, on your family, and everything in between.**”
>
> - $1B Trust Company

> “**We have a fiduciary obligation to our clients to provide objective advice** and identify the financial solutions that are in your best interest, not ours.”
>
> - $5B+ Registered Investment Advisor

MARKETING AND BRANDING

ENLISTING TEAMS TO TELL COMPELLING VALUE STORIES

A Sense of Urgency to Change the Way Value is Described

- *Value conversations are a perceived weakness.* Firms see big disparities in the way advisors describe value and the effectiveness of sales conversations, often to the detriment of price realization.
- *It's a different conversation: the new language of "value".* Many advisors continue to define performance in relation to market benchmarks rather than life goals. They similarly talk about mutual funds and asset allocation rather than goals such as legacy and health.

Best Practice: Engaging the Field

- **Engage** the field in promoting noninvestment services.
- **Move** advice further into the sales process.
- **Redesign** sales processes to align with brands and value propositions.
- **Solicit** buy-in by enlisting the field in defining service value.
- **Hire** communications firms to video advisors and provide coaching.

> "Firms have to undertake a massive re-education process to help front office advisors move away from positioning around products and services. They need to pivot towards a holistic planning-based advice model that orients the entire team around anticipating and solving client needs. They need to provide ongoing coaching to help clients act on the guidance."
>
> - Gavin Spitzner, President, Wealth Consulting Partners

MARKETING AND BRANDING

CASE STUDY: PROMOTING NONINVESTMENT SERVICES THROUGHOUT THE ECOSYSTEM

Key Insight: Affect a widespread change in how employees, COIs, and prospects define service value by having everyone in the firm propagate non-investment service value stories.

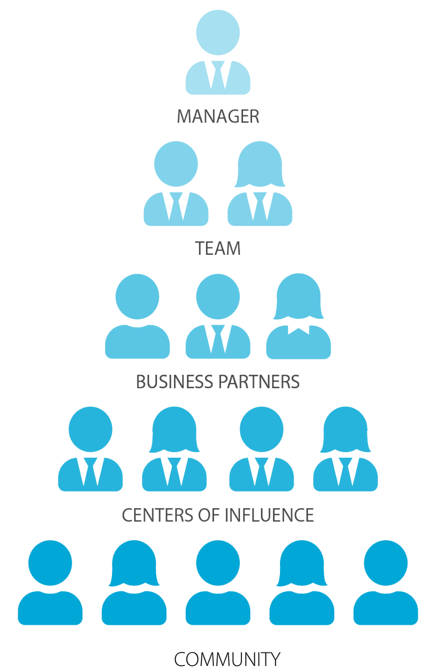
Background: Bank A is a midsize wealth manager located in the Midwest with more than $5B in fiduciary assets.

I. Develop Non-investment Service Value Stories

- The business unit head affects a shift in the mindset of his own team by asking every sales and service team member to practice telling stories about helping a client with something other than investment management (e.g., managing a difficult life event, the emotional complications of wealth, etc.). **"The industry is focused on performance reviews and security selection. Everything centers around marketable securities. I want my team to focus on everything else that we do."**
- To foster emotional connections and introduce a range of servicing opportunities beyond investments, sales officers are encouraged to connect with prospects about their sources of wealth (e.g., their business, real estate, etc.). This is often an effective entrée into broader, meaningful conversations about goals and needs.

II. Affect Changes in Perceptions

- **Centers of Influence:** "When we visit with lawyers, it changes the positioning. They'll tell you things like 'I have a sister or an uncle who acts that way'. They start to connect and relate and see the firm differently. **They'll tell you that until now, they never knew what a trust officer did."**
- **Business Partners: "Our commercial lenders down the hall had no idea that their teammates in wealth management can handle other aspects of their clients' lives."**
- **Community:** During estate settlement, for example, employees are encouraged to talk to neighbors about the settlement process as an informal marketing opportunity—that what the firm does is "above and beyond" investment management.



Key Outcome: Larger Relationships

Broadening sales conversations to emphasize non-investment services, being purposeful in establishing emotional connections, and initiating conversations around sources of wealth have contributed to larger new account sizes: "We used to be ecstatic when receiving accounts with $1 million in assets, but now $15–20 million in assets has become a lot more common."

MARKETING AND BRANDING

MOVING ADVICE DEEPER INTO THE SALES PROCESS

Key Insight: Firms have improved their sales outcomes by requiring sales officers to showcase advice and planning capabilities, and by engaging prospects in the creation of partial financial plans.

Background: Bank B is a Mid-Atlantic-based trust company (under $2B in fiduciary assets). Planning designations (CFP, CTFA) are common among the banks' dedicated sales officers and servicing teams; all sales and servicing employees are trained in using MoneyGuidePro.

First Meeting

Overview
Q&A
Discovery

- Sales officers are obligated to describe the firm's planning capabilities using standardized presentation materials and leave-behinds.
- Sales officers ask a lot of questions, especially about retirement; estate planning is another key topic for exploration.
- **Goals:** Leave the first meeting with enough information about the prospect's circumstances to give them something useful from a financial planning standpoint; set up second meeting.

Second Meeting

Planning
Scenarios
Tactics

- The sales officer shares financial planning ideas, including concrete tactics. The goal is to whet the prospect's appetite for planning and advice.
- The partial plan will be enhanced during onboarding by the servicing team if the prospect agrees to engage the bank.

Implementation Tips

Keep it simple: Bank B's process is not labor-intensive, it is designed to pique the prospect's interest and showcase their capabilities.

Establish boundaries: Bank B has "soft" boundaries defined by labor costs and complexity. Prospects who request support beyond those boundaries are asked to establish a relationship.

Dedicated sales officers do the work: Relationship managers only participate if the prospect's needs are unusually complex.

Be flexible: Doing planning is not an all or nothing proposition for clients and prospects: "[W]hen we demonstrate these capabilities, we have a better track record of closes, but if they want investment-only, we'll just do that."

Be consistent: Presentation materials are standardized; all prospects go through the same process, regardless of the source of new business.

Key Outcome: Higher Close Rates

"**This is very intuitive. People who were doing planning were closing more business.** That is why we mandated that all salespeople do this, across the board. Prospects get the idea that we aren't just going to invest their assets but that we are going to tell them if they are on track to meet their goals."

- Executive Vice President, Bank B

SALES AND RETENTION

BANK A: MOTIVATION AND HIRING PROFILE

Motivation for BDO-led Model

- **Many industry professionals don't like sales.** "Our [relationship managers] are very capable, but having sales goals and obligations to grow their books causes anxiety."
- **Doing both sales and service causes one or the other to suffer.** Sales results often suffer when advisors are busy serving existing clients.
- **People who can "do both" are hard to find.** Finding people who are good at one or the other is comparatively easier.
- **True collaboration is hard when everyone has a sales goal.** In Bank A's incentive model, Relationship Managers can earn incentives for sales, but have no formal goal.

Hiring Process

Rigorous screening for non-coachables. A third-party vendor conducts a personality assessment and tests for 60+ attributes. Ten attributes--mostly intrinsic, non-coachable characteristics such as perseverance--are non-negotiables, regardless of other qualifications.

Technical skills are secondary. BDOs have a diverse range of professional designations but they are not a major consideration.

Typical BDO Profile

Age: Typically late 30s to early 40s

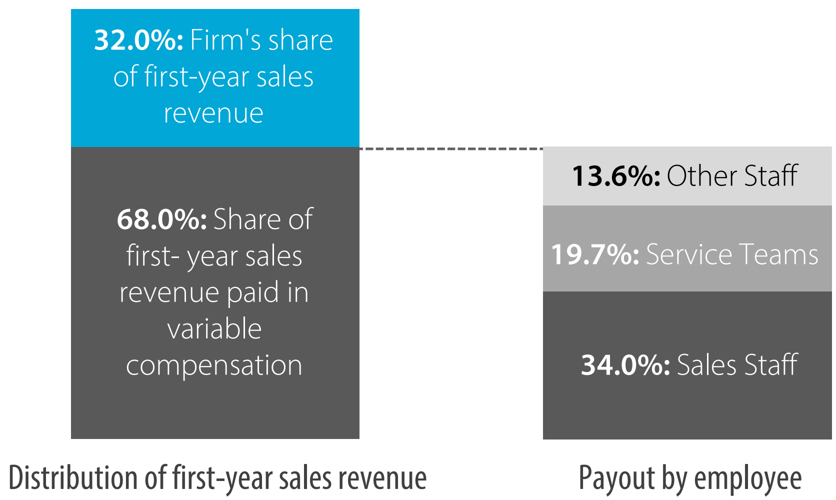
Prior experience: Have often worked in other asset and wealth management businesses (e.g., qualified plan sales)

Professional goals: Highly motivated to earn a high income; motivated by at-risk pay

SALES AND RETENTION

BANK A: TEAM SALES THROUGH ROLE SPECIALIZATION AND INCENTIVES

Bank A Variable Compensation Payout, Total and By Employee Type



Risk Management

Overhead Cost Risk. Underperforming BDOs add expense, not revenue. Although turnover is low, underperformers are managed out of the firm.

Handoff Risk. A two-year clawback motivates BDOs to share detailed client information with servicing teams (e.g., via CRM). Incentives reward collaboration between sales and servicing teams: BDOs typically involve RMs early in the sales process; RMs are rewarded for sales assists.

“We put out a net to catch good sales people. Who cares how much they cost? **We trade 1 year of revenue for 10 years of business.**”

- Bank A Executive

SALES AND RETENTION

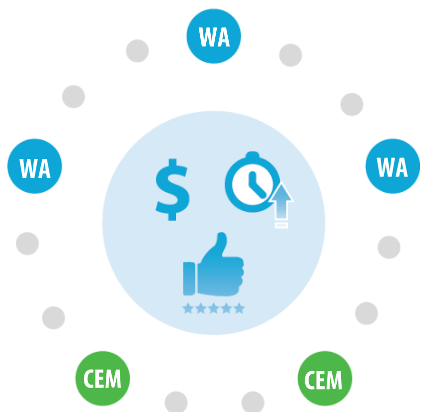
BANK B: TEAM STRUCTURE

Wealth Advisors and Client Experience Managers

"Office A"

Key Insight

Skilled servicing support personnel gives Wealth Advisors time to focus on sales without diminishing the client service experience.



Wealth Advisor (WA)

Spends significant portion of time on business development. Has both sales and service goals (see next page)

Client Experience Manager (CEM)

- A client service specialist who supports the Wealth Advisor
- Typically a CFP with a strong financial planning skillset
- Responsible for ensuring that large relationships (by revenue) receive superlative service (e.g., $20K to $25K+)
- Oversees 100-150 clients each
- No sales goal

Regional Managers

Desired attributes

Key Insight

In addition to being a top driver of employee engagement, good sales coaching (supported by a well-defined sales process) make it easier for Bank B to meet its hiring needs and for "nonexperts" to succeed.

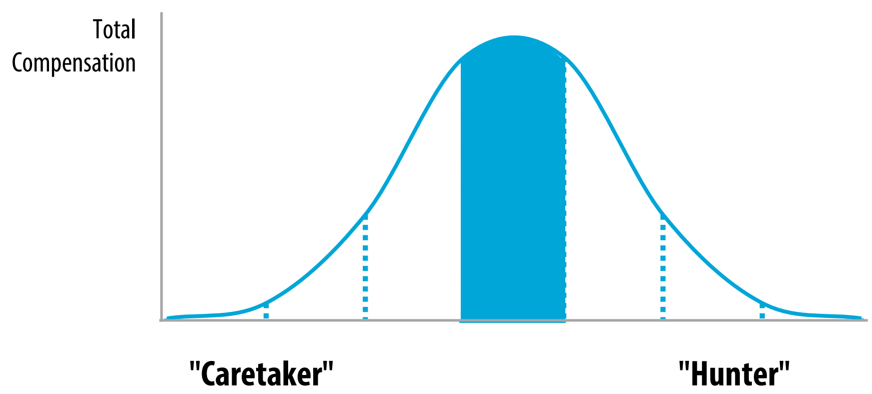
1. **Can attract and retain top talent**
2. **Understands the client experience**: "They really need to know what matters. Do they know what 'good' looks like?"
3. **Effective sales management and coaching.** Bank B has a disciplined, "rigorous" sales process that includes weekly coaching and quarterly business reviews. "Managers need to sell the process and be a leader in the field."
4. **Executes sales plan, develops internal and external referral networks**

> “Employees have a lot of choice, we are competing to attract them. You have to get really good sales leaders first. Then put in a good [sales] process. If you don’t have the right sales leadership, there’s no need hiring.”
>
> \- Bank B Executive

SALES AND RETENTION

BANK B: COMPENSATE THE RIGHT BEHAVIORS

Striking a Balance



Two-tier, Uncapped Incentive Compensation

How it works

Advisor produces: $X in revenue (banking, deposits, insurance investments, etc.)

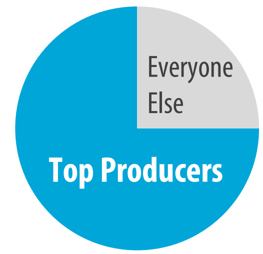
Maximum total incentive: $Y, determined by grid

Tier 1: Automatic: 50% of maximum total incentive

Tier 2: Goals-based: up to 50% of the remaining maximum total incentive based on five goals:

- Outbound referrals (e.g., to B/D, commercial bank, etc.)
- Net flows
- Compliance
- Client utilization of digital offering
- Good teammate (subjective)

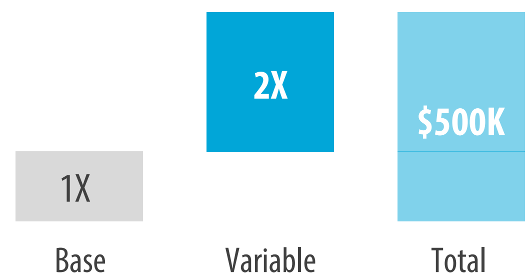
Distribution of Financial Compensation



"The incentives heavily reward the top performers. We cannot lose them. Their compensation is coming from the lower performers. You have to be ruthless and disciplined. You cannot peanut butter!"

- Bank B Executive

Variable Compensation for Top Producers



"Let's say base pay is $150K. A relationship manager in the top third should double that. A relationship manager in the top 10% should triple that or more."

- Bank B Executive

SALES AND RETENTION

AT-RISK PROFILING

What is the profile of the "at-risk" relationship? How do firms help advisors identify at-risk relationships?

The 'At-Risk' Profile, Bank C

1. **How old is the client?**
   If a client reaches a certain age threshold, the account is at-risk.

2. **How did the account perform?**
   If an account does not achieve its benchmark several months in a row, the account is at-risk.

3. **Has there been staff turnover?**
   If the advisor for an account plans on leaving, the account is at-risk.

4. **Does the client live far from an office?**
   If a client moves outside of Bank C's footprint or does not live near a branch, the account is at-risk.

5. **Have there been any irregular withdrawals?**
   If a client makes an unexpected withdrawal of more than $100,000, the account is at-risk.

SEGMENTATION: REDEFINING THE TARGET MARKET

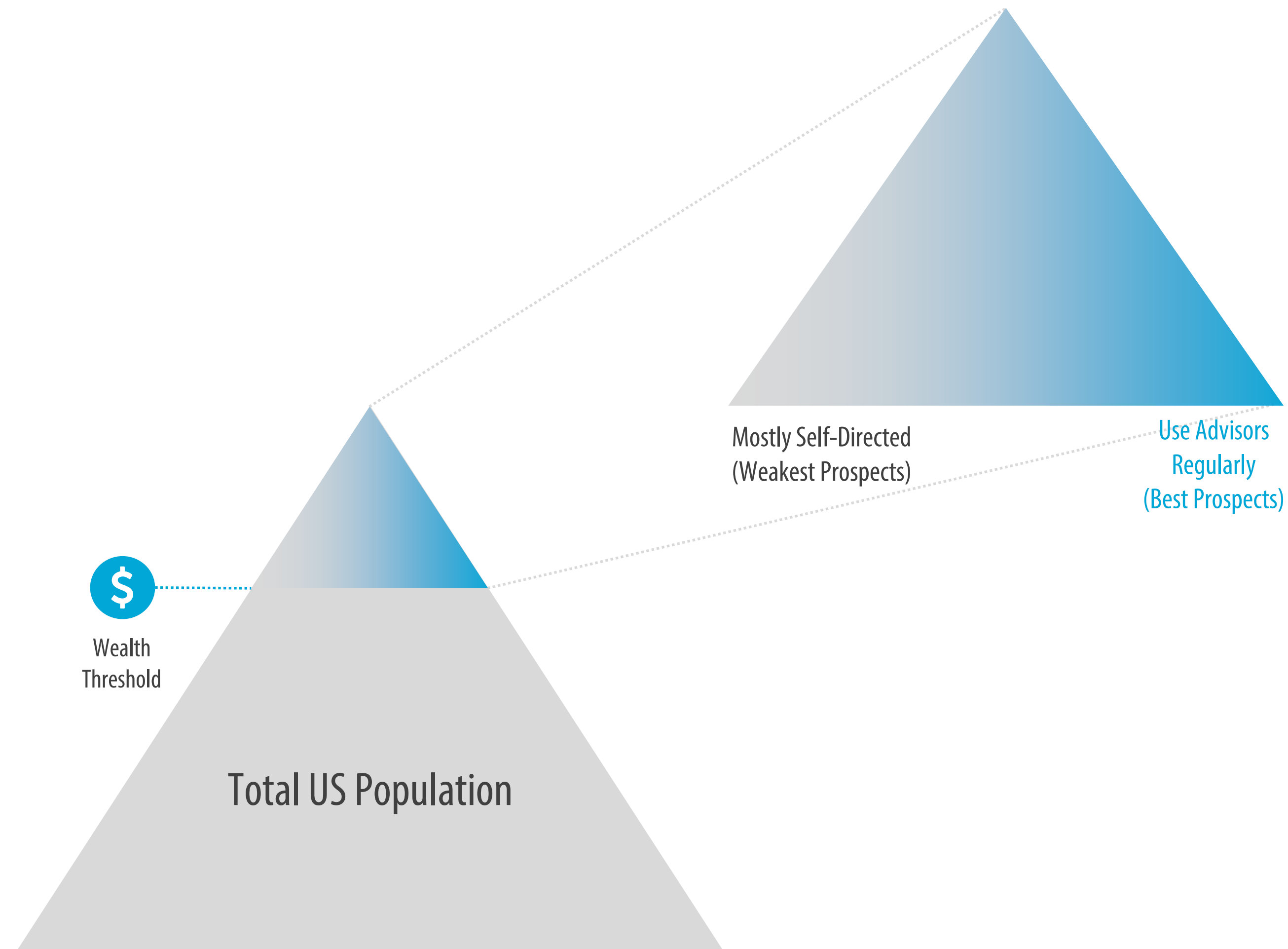
| A SMALL PIECE OF A SMALL MARKET

Trend Watch

- **A Small Piece of a Small Market.** Many firms focus on a select few consumers (top) who meet wealth thresholds and at least somewhat value financial advice.
- **Excluding Too Many?** Many younger consumers, AKA tomorrow's high net worth, fail to meet one or the other criteria.
- **The Innovation Threat.** New and known nontraditionals, unencumbered by common challenges (legacy technology, high servicing costs) are making inroads into "everyone else."
- **"Let's Talk When You Have $2 Million."** As generational wealth shifts and younger consumers build wealth, do innovative competitors have 'right of first refusal'?

Typical 'Ideal' Client, by Wealth and Advisor Orientation

Illustrative

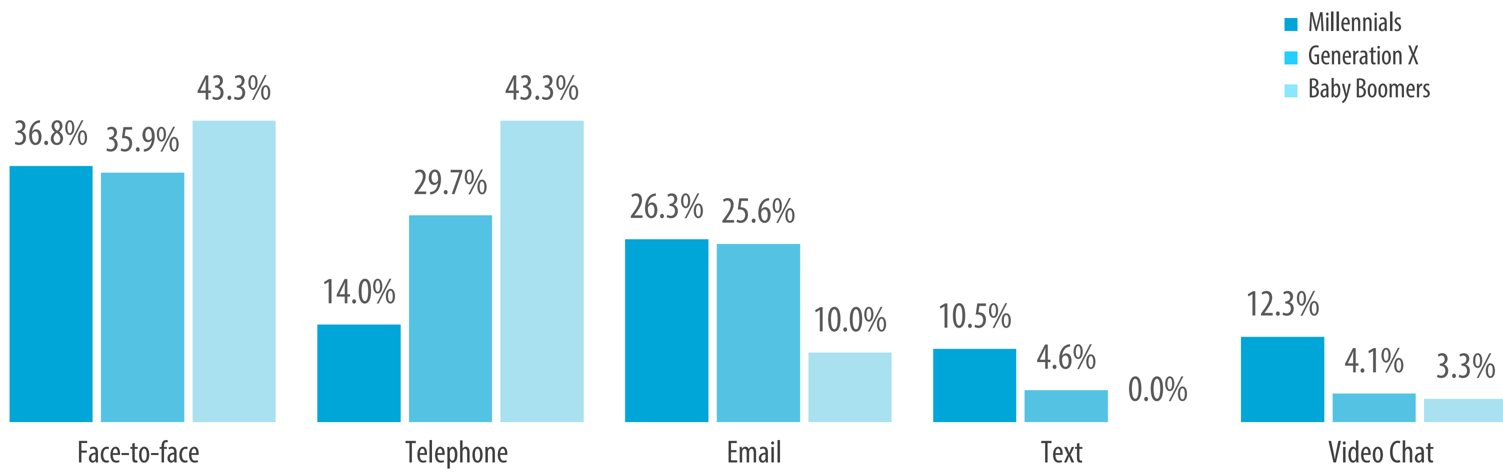


SEGMENTATION: REDEFINING THE TARGET MARKET

| A WEAK PREDICTOR OF ROUTINE SERVICE PREFERENCES

Most Preferred Form of Communication[1]

Respondents with advisors, by generation



What to Watch For

- Each of the eight combinations shown is unique.
- Each combination represents the percent of respondents who ranked the forms of communication in their top three *in any order* (out of five options).
- The top ranking is arguably the **most personal**: 12.2% of respondents prefer face-to-face, telephone and email in that exact order.

Most Preferred Communication Combinations[2]

Respondents with advisors

Combination Includes Face-to-Face

39.1%	Face-to-face Telephone Email	7.7%	Telephone Email Video chat
13.8%	Telephone Email Text	6.9%	Face-to-face Email Text
11.6%	Face-to-face Telephone Video chat	4.9%	Face-to-face Email Video chat
8.0%	Face-to-face Telephone Text	3.2%	Email Text Video chat

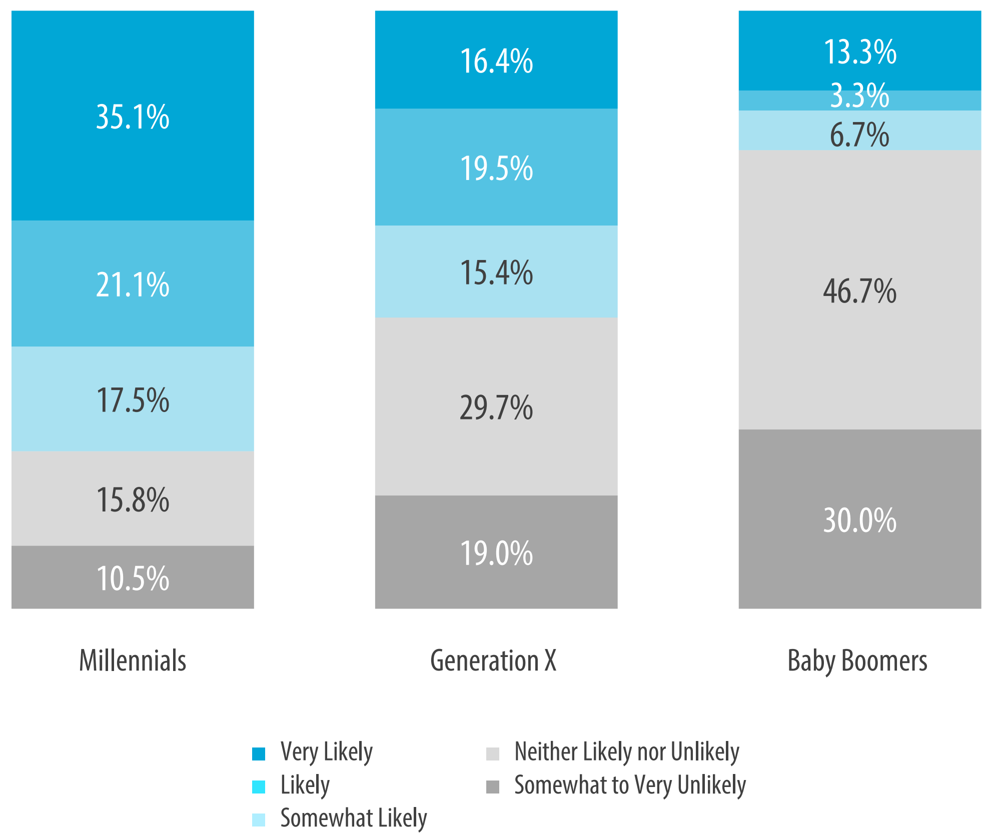
Notes: [1]Q43: How would you prefer to communicate with your primary professional financial advisor? Please rank with 1 being the most preferred. [2]Each group includes anyone that chose those three communication preferences as their top three, regardless of actual ranking. Less popular combinations are excluded. Millennials: 18–35; Generation X: 36–55; Baby Boomers: 56–older

DON'T GET LEFT BEHIND

| THE MILLENNIAL CONSOLIDATION OPPORTUNITY

Likelihood of Relationship Consolidation in the Next Five Years[1]

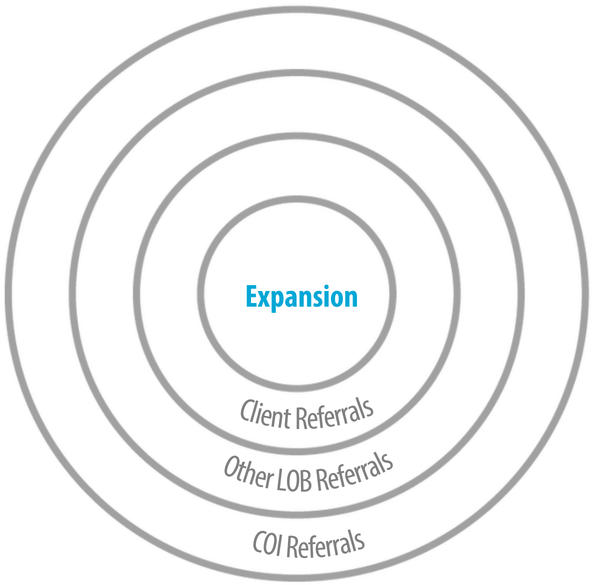
Respondents with advisors, by generation

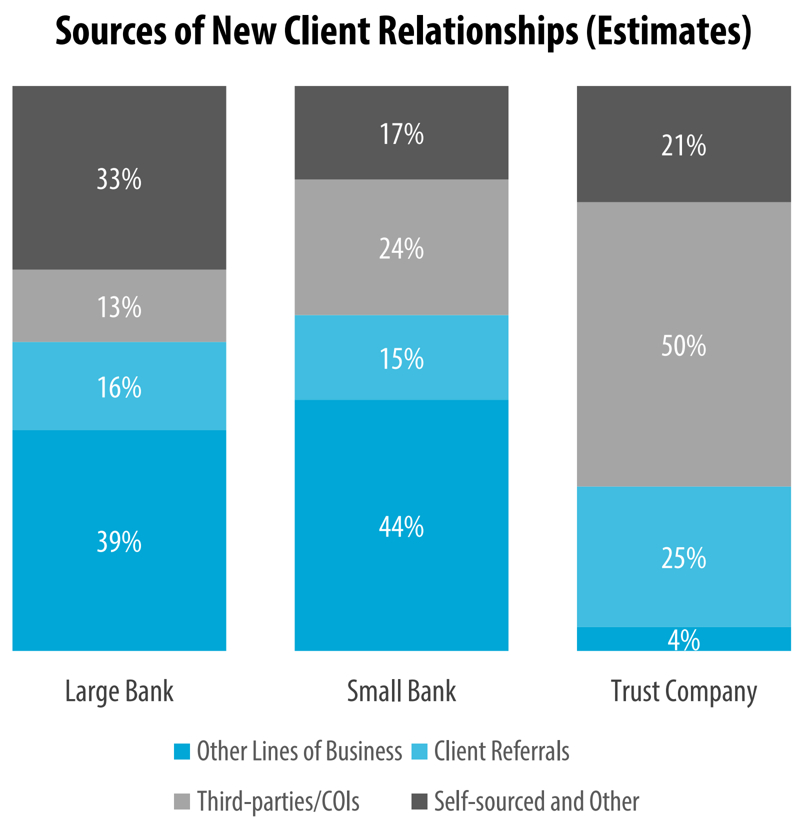


Notes: [1]How likely are you to consolidate your assets with your primary financial advisor in the next 5 years? Millennials: 18–35; Generation X: 36–55; Baby Boomers: 56–older

EXPANSION & CLIENT RELATIONSHIPS

| LEVERAGING A TRADITIONAL STRENGTH





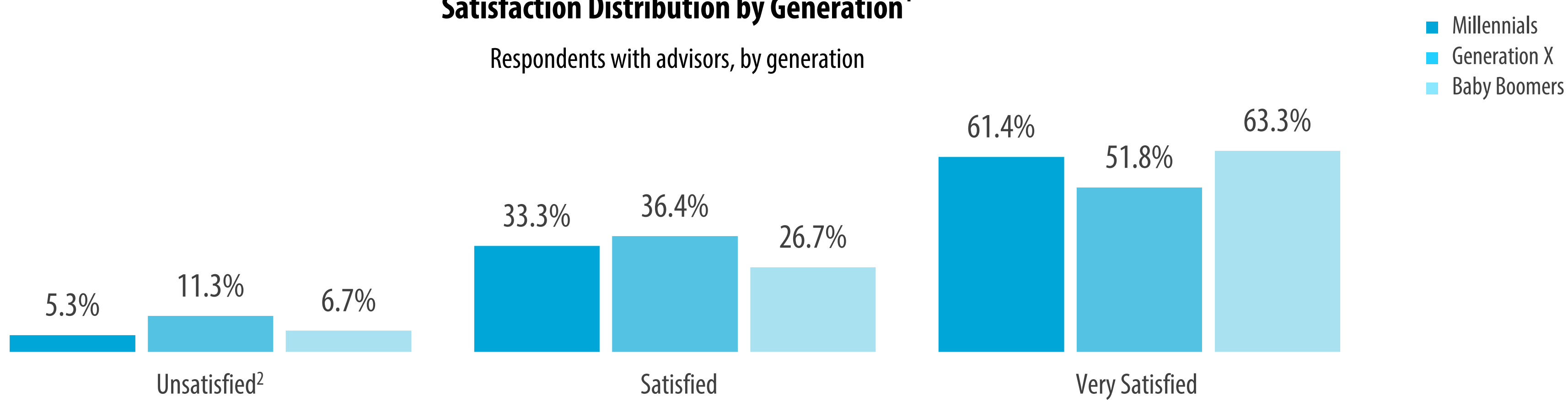
Other: Self-sourced/self-generated; employees; brand recognition, reputation in market; advertisements and marketing

EXPANSION AND CLIENT RELATIONSHIPS

| MAKING MORE OF EXISTING CLIENT RELATIONSHIPS

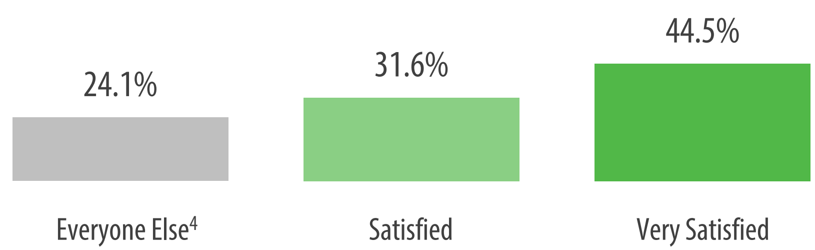
Satisfaction Distribution by Generation[1]

Respondents with advisors, by generation



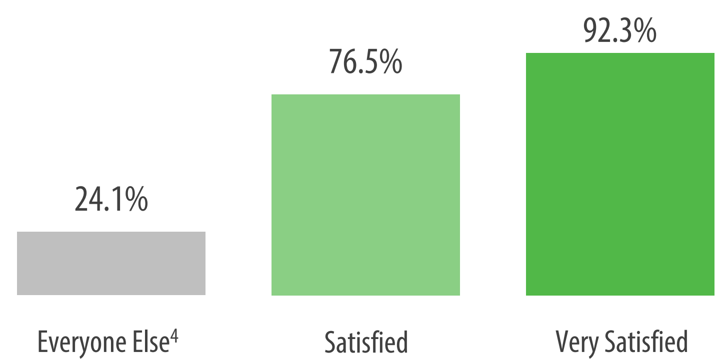
Likelihood of Relationship Consolidation

Respondents with advisors, by satisfaction level



Willingness to Refer Business to Their Advisor[3]

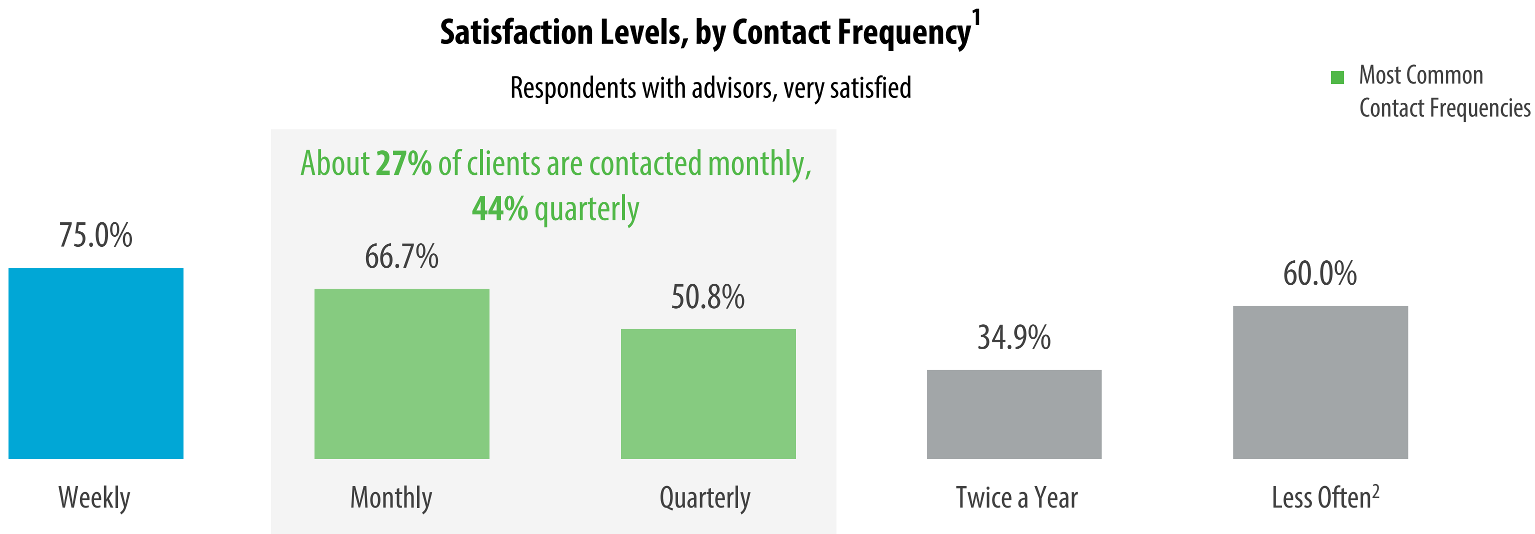
Respondents with advisors, by satisfaction level

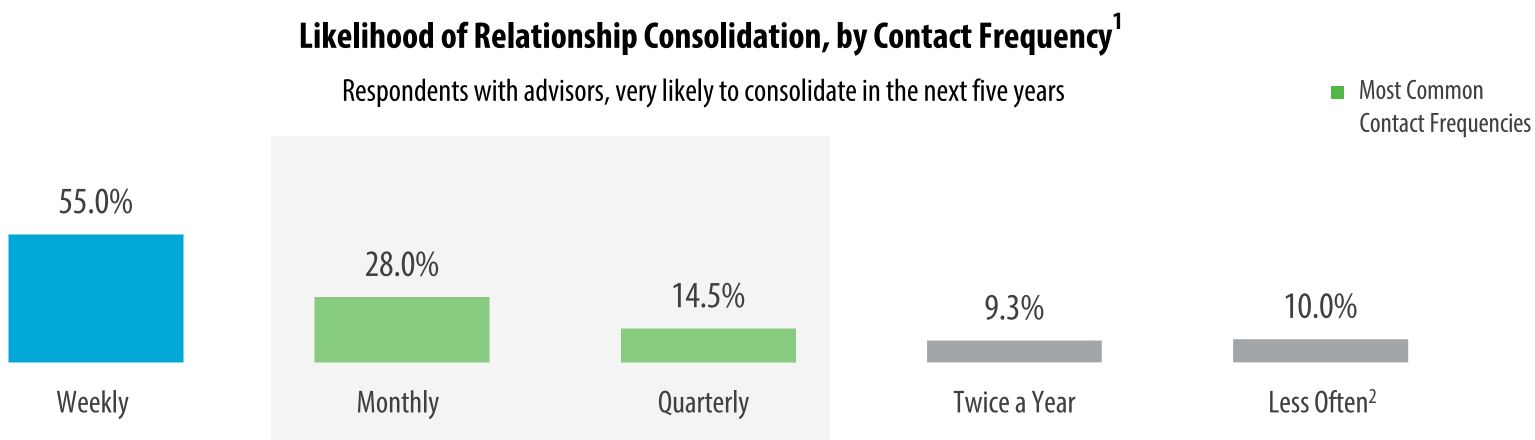


Notes: [1]How satisfied are your with the service quality of your primary financial advisor? Not shown: somewhat satisfied and neither satisfied nor unsatisfied, which account for less than 1% and less than 2%, respectively. [2]Includes respondents that identified as very unsatisfied, unsatisfied, somewhat unsatisfied. [3]How likely are you to recommend your primary professional financial advisor to a friend, family member, or other acquaintance? [4]Includes respondents that identified as very unsatisfied, unsatisfied, somewhat unsatisfied, neither satisfied nor unsatisfied, and somewhat satisfied

EXPANSION AND CLIENT RELATIONSHIPS

| MORE THAN ANYTHING: BE IN TOUCH





Notes: [1]About how often does your primary professional financial advisor contact you? [2]"Less often" is a small sample

EXPANSION & CLIENT RELATIONSHIPS

| ENHANCING REFERRAL INITIATIVES WITH DATA

Case Example: Closed Credit Reports, Bank G

Key Insight: Firms are pursuing higher-quality referral opportunities by leveraging data about existing client relationships.

Background: Bank G is a Midwestern-based multiline bank wealth manager with less than $3 billion in assets under management.

Commercial Bank

Credit Extension Report 10/1/2019

1. Credit Extension Report. Every Monday morning, the Commercial Bank delivers a "Credit Extension Report" to the firm's Wealth Management business. The report includes detail about new commercial loans, the business owner profile, Tax IDs, and loan guarantors.

Wealth Management

Screening Process

2. Wealth Management Screens. Wealth management runs loan recipients through additional screens to identify existing relationships with the business (e.g., retirement plans) and with the business owner.

3. Targeted Referral Requests
Wealth management makes targeted referral requests of commercial banking partners

Implementation Tips

Timing: Information is not provided to the wealth management business until after the loan has boarded. This preempts the possible objection from internal business partners to wait until the loan is on the books.

Executive Buy-in: As with almost every successful internal referral program, this initiative benefits from the support of senior leadership. Bank G's CEO is adamant that the firm offers the full spectrum of services to its clients.

Key Outcome: More Targeted Referrals

"The report allows us to be specific in our referral asks of commercial bankers. Otherwise, we have to ask in generalities and the commercial bankers may or may not get to it. We are starting to gain traction and this is our top business development initiative in 2019."

- Senior Vice President, Bank G

EXPANSION & CLIENT RELATIONSHIPS

| ENHANCING REFERRAL INITIATIVES WITH DATA

PRIVATE WEALTH ADVISORS

COMMERCIAL REFERRAL WORKSHEET:

Tuesday, November 24, 20XX

(Criteria: >$100,000 New Money / Last 21 days) 8:03:11 AM

Region Northern Virginia

Relationship Name: **ACME WIDGETS, LLC**

RM: Jill Banker

New Money $1,500,000

RLC Date: 11/19/20XX

CDSID 110448

Date Decisioned 11/20/20XX

Borrower Name:	Owner Name:
ACME WIDGET, LLC	Parson Jr., Jack R.
Street Address:	Street Address:
4141 Smith Road	123 Main Street
Falls Church, VA 22003	McLean, VA 22102
(804) 555-1212	(703) 759-5294
TaxID: 8XXXXXXX6	TaxID: 3XXXXXX61

TALENT

NEW DEMANDS ON TALENT

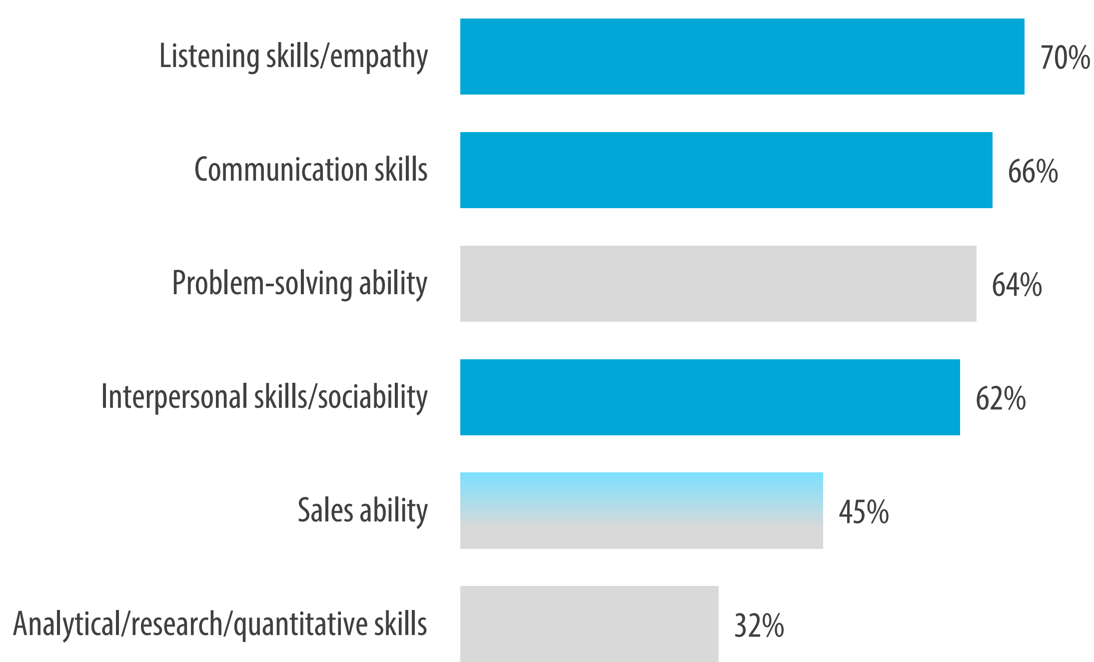
Competitive and growth goals put new demands on talent: teams need to get better at sales, deliver new value propositions, and get younger. A number of headwinds, however, will make these goals difficult.

GET BETTER AT SALES

ARTICULATE AND DELIVER NEW VALUE PROPOSITIONS

GET YOUNGER

Top 6 Skills for Financial Advisors[1]



Notes: 1. Fidelity, "The Impending Advisor Talent Crisis", 2018; advisors were asked, "Which of the following skills do you feel you have that have best served you as a financial advisor?"; participants include 464 financial advisors from a mix of banks, independent broker-dealers, insurance companies, RIAs, and national brokerage firms.

TALENT

THE PATH FORWARD

Market trends and talent demands will require firms to challenge conventional norms.

What We've Always Done

- Hire more
- Adjust team structures and support roles
- Manage the client mix (segment)
- Attract seasoned professionals; steal opportunistically from competitors

What You're Doing Now

- Changing how you pay
- Changing the roles of your people
- Changing what you do for clients
- Reallocating resources
- Changing your people

In the First Person

On concentrating investment dollars with top performers

You have to concentrate your variable comp. dollars in the hands of your best performers. You have to. You cannot lose them. [Comp.] is coming from the lower performers. **You have to be very disciplined, you have to be ruthless.**

On moving to mostly models and a more generalist advisor role

Nobody wanted to take on the portfolio managers because they might leave. I said, "let 'em." If everyone thinks they can outsmart the CIO, then why do I have one at all?

On hiring younger workers into centralized servicing roles

If we're not set up for the future, sustainability is at stake and none of our goals matter. Some advisors are not going to adapt, they are not anxious to learn. They own the client relationship and if they don't like it, they won't cooperate. **We've taken a lot of power out of their hands.**

> " If you dislike change, you're going to dislike irrelevance even more. "

- Eric Shinseki, retired US Army General and former US Secretary of Veterans Affairs

GROWTH AT RISK: THEMES

Prerequisites

- Strengthening pricing and discounting strategies
- Retention: starting 5-8% ‘behind’ each year

Themes

- Value proposition and positioning: engaging the field around advice
- Segmentation: getting in early
- Expansion and acquisition: taking advantage of the “ecosystem”; doing more with data
- Talent and sales: challenging conventional norms; strengthening sales cultures
- Banks are well-positioned to thrive in the evolving competitive landscape

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WISE