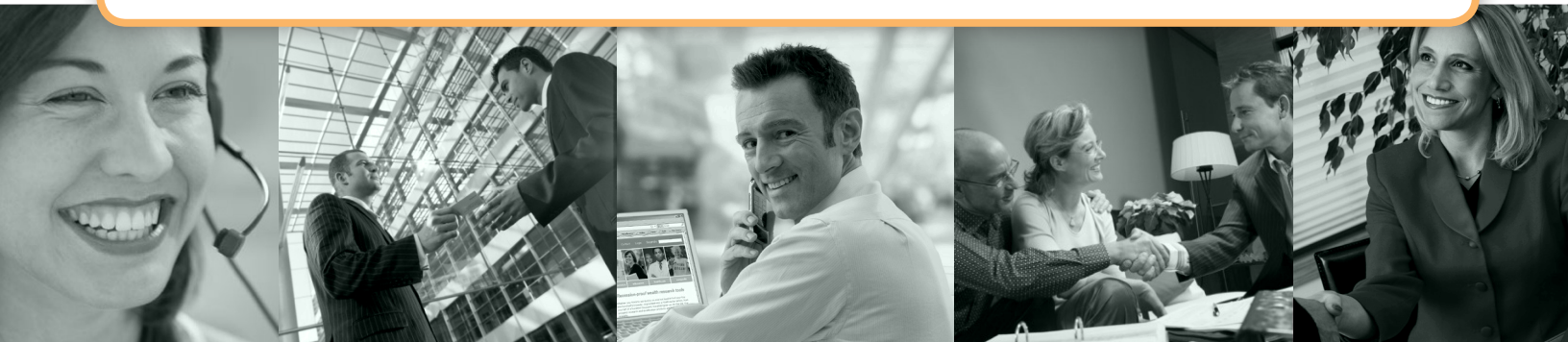


BUILDING YOUR BUSINESS EFFECTIVELY & EFFICIENTLY

Leveraging Wealth Identification and Demographic Data to Attract and Retain Clients

FEBRUARY 2010



Background at the Forefront: Leveraging Demographics to Gain and Retain Wealthy Clients

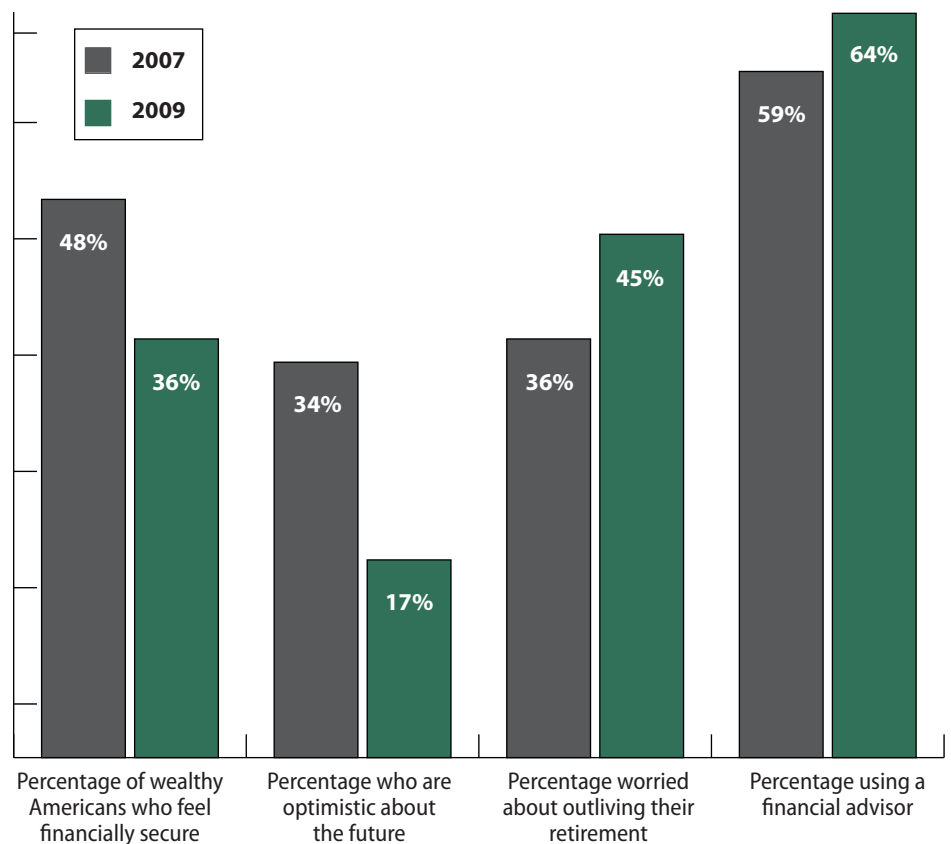
This paper seeks to: 1) explore the business development value of understanding the complete wealth and demographic profile of your clients and prospective clients, 2) offer considerations for more efficient methods of prospecting and, 3) introduce effective prospecting tools.

With the market turbulence of the past year, an increasing number of wealthy Americans are turning to financial advisors for help in recovering from double-digit losses in their portfolios. At the same time, many of these advisors are facing a rising wave of discontent from their affluent clients.

For the first time in many years, a significant number of wealthy individuals and families may be seriously considering adding or switching financial advisors. And the advisors who ultimately win this business will be those who work to understand what drives these prospects and how to turn their issues, challenges and concerns into business-winning opportunities.

An Atmosphere of Concern

Not surprisingly, a growing percentage of wealthy Americans are worried about their financial security. According to a March 2009 Phoenix Companies survey of 1600 wealthy individuals, in 2009 only 36% of wealthy Americans believed that they were very financially secure, compared to 48% in 2007.¹ Seventeen percent were optimistic about their financial future, a drop from 34% in 2007. These concerns spilled over into their evaluation of specific lifestage planning goals. In 2009, 45% were worried about outliving their retirement nest eggs, compared to 36% in 2007, and less than half of 2009's respondents were confident that their 529 plan would provide adequate funding for their children's college expenses.



Source: The Phoenix Companies, *Phoenix Wealth Survey*, March 2009

Mixed News for Advisors

These concerns are creating new opportunities for financial professionals. According to the Phoenix survey, the percentage of clients using a financial advisor rose from 59% in 2007 to 64% in 2009. And according to a study conducted by HNW and Forbes last year, 79% of high net-worth respondents had no intention of changing advisors in 2009.² That's good news, of course, for those advisors that have a solid base of close, long-time clients.

Yet, there are also significant signs of dissatisfaction. A 2009 Spectrem Group survey of affluent investors found that only 36% were satisfied with the performance results delivered by investment advisors.³ And 28% of the Phoenix Survey respondents indicated that they were either looking for a new advisor or seriously considering switching advisors.

For these nearly one-third of wealthy Americans who are contemplating changing advisors, performance alone is not the only source of dissatisfaction. An informal survey of affluent individuals conducted by Briskin Consulting in the summer of 2009 revealed the following about why advisors' clients were considering a change:

Survey participants indicated that they would only consider switching Financial Advisors if:

They were unhappy with the level of service their advisor was providing	91%
They were dissatisfied with the business or governance practices of the advisor's wealth management firm or broker-dealer	78%
The advisor left the firm or the firm assigned the client to a new advisor	73%
They reached a time of change in their lives where they needed advice, products or services that their current advisor wasn't providing	58%
They were dissatisfied with investment performance	52%

Source: Briskin Consulting, 2009

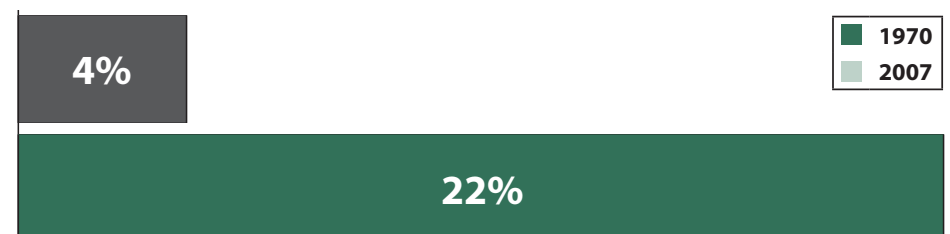
Advisors who wish to win clients therefore need to know ahead of time which of these concerns is creating dissatisfaction and be prepared to offer value-added advice and insights that can compel these wealthy individuals to consider the services of a new advisor. This requires a keen awareness of the demographics and lifestage triggers that are likely to drive this decision-making process.

Women are Active Financial Decision-Makers

Financial advisors have traditionally focused their client cultivation efforts on wealthy men, a strategy that ignores the growing influence of women over family financial decisions. According to a recent study published by Wilmington Trust, two-thirds of women in affluent households consider themselves active participants in managing their family's assets, and 90% see themselves as creators or co-creators of this wealth.⁴

A January 2010 Pew Research Center survey which polled U.S.-born 30- to 44-year olds supports this thesis. In 1970, 4% of husbands made less money than their wives. In 2007, this figure rose to 22%, reflecting the increasing numbers of educated women who have entered into the workforce and achieved high levels of professional success during this timeframe.⁵

Percentage of husbands who earn less than their wives



Source: Pew Research Center, Women, Men, and the New Economics of Marriage, January 2010

Women also have different perceptions of the role financial advisors play in managing their wealth. While men are more focused on investment returns and securities selection, women prefer a more holistic approach where an advisor creates a long-term wealth management plan based on a thorough understanding of the family's collective and individual financial objectives.

They also want their advisors to provide advice and education to help them understand and make intelligent wealth planning decisions with greater confidence. They want client reviews to go beyond benchmarking and instead assess investment returns within the context of their overall goals.

Estate Planning

With trillions of dollars expected to transfer from the Greatest Generation and Baby Boomers to their children over the next few decades, financial professionals who can offer advice and solutions to aid in the migration and management of this wealth will be well positioned to take advantage of this enormously lucrative opportunity.

Wealthy clients are in dire need of help in this area, particularly around estate planning. According to a 2009 study of wealthy business owners published by Campden Research, while 78% of respondents had estate plans, over 79% of these plans had not been updated in the past three years.⁶ This lack of attention to lifestage triggers could have critical repercussions, as over 89% of respondents said they had a life-changing event (such as a birth, death or divorce) during this time that should have spurred action to bring the plan up to date.

Over half of respondents cited 'difficulty in understanding the issues' as a reason for avoiding updating these plans, and nearly 25% said that they didn't have the time for estate planning. Advisors with strong estate planning credentials (or who have access to these resources within their organization) who can offer guidance to help families understand and resolve these issues will have a competitive advantage over advisors who can't.

Philanthropy

Wealthy Americans are generous Americans. Over 98% of them give to charity, compared to 70% of Americans as a whole, according to a Bank of America study of wealthy philanthropists.⁷ And a growing number are becoming more strategic in the way they give. Fifteen percent planned to establish a private foundation between 2008 and 2010; more than 20% planned to start a charitable split interest trust; and nearly 21% planned to establish a donor advised fund with a financial services company or a community foundation.

Charitable giving strategies of wealthy Americans

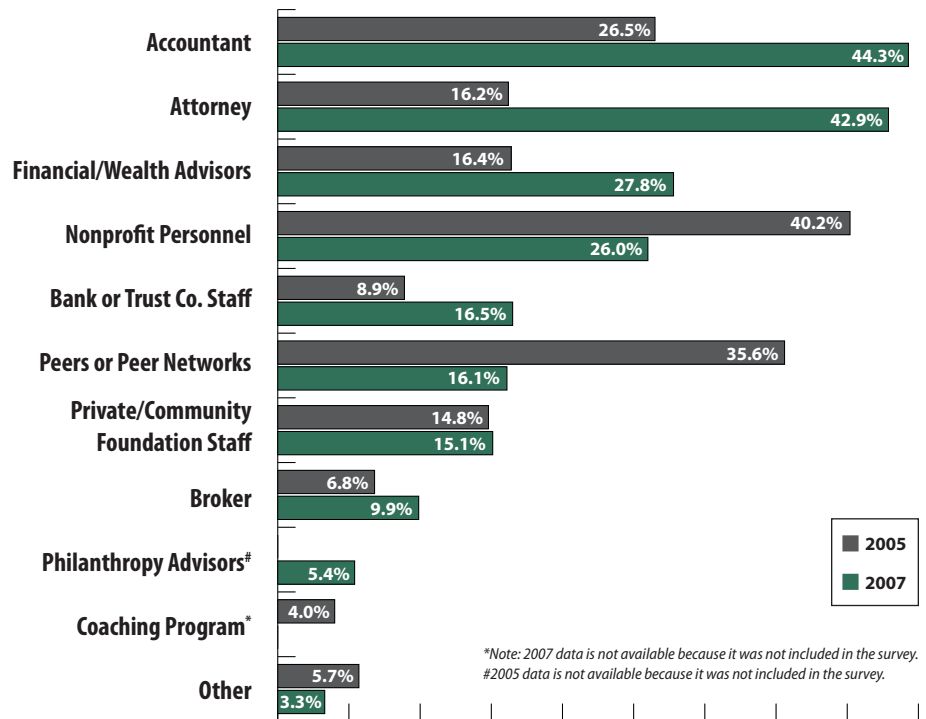


Source: Bank of America/The Center on Philanthropy at Indiana University, 2008 Bank of America Study of High Net- Worth Philanthropy, March 2009

Importantly, when wealthy Americans seek advice on charitable giving options, they turn primarily to accountants, attorneys and financial advisors. Yet, the advice they seek revolves mainly around maximizing tax advantages, rather than developing a family mission or investment-based giving strategy. These “softer side of philanthropy” discussions are generally reserved for development and planned giving officers within not-for-profit organizations and community foundations.

Most striking is that wealthy Americans generally contact their advisors for charitable giving advice and solutions, rather than the other way around. The lesson for advisors should be clear: if you don’t proactively discuss philanthropy with your clients, they may decide to speak to someone else.

High Net Worth Households that Consulted Others When Making Charitable Giving Decisions by Type of Person Consulted



Source: Bank of America/The Center on Philanthropy at Indiana University, 2008 Bank of America Study of High Net- Worth Philanthropy, March 2009

Moving from Broad-Based Marketing to Targeted Client Cultivation

Typically, even when armed with information about prospects, advisors tend to rely on traditional marketing approaches to win business—personal referrals, direct mail, email and invitations to wealth management seminars.

Aside from working referrals which sometimes pay off but are often difficult to generate, results from this broad-based prospecting strategy are usually inconsistent at best, and the process itself is almost always highly time-intensive and inefficient.

To be most effective and efficient in your prospecting, consider building detailed demographic and wealth profiles of prospects in your pipeline. Each should include a summary of advice you might provide to address a need you’ve identified and a strategy for raising this issue during your first meeting or discussion.

While your referral partners are always the best source for intelligence on your prospects, they may not always have extensive knowledge of these individuals’ financial holdings and business activities or insights into their family dynamics and philanthropic pursuits. Fortunately, the Internet—and some excellent online tools—have emerged as key resources for filling in these information gaps and helping advisors be more informed.

Search & Socialize

Search engines can produce thousands of references to a prospect's publicly disclosed financial transactions, charitable and political contributions and not-for-profit board memberships. Social networking sites such as Facebook and LinkedIn are becoming crucial sources for biographical, professional and lifestyle information. Even traditional subscription-based databases like *Dun & Bradstreet* and *Lexis Nexis* are accessible over the Internet but only provide a snapshot of the data picture. All this information at your disposal, however, can present a number of challenges:

1. Much of the information may be out-of-date or irrelevant
2. The accuracy or integrity of many sources of information cannot be verified, particularly in "Wiki" sites that allow anyone to edit information without substantiation
3. Social networking site users may withhold or fail to update crucial information
4. Sifting through hundreds of different sites to find the critical information you need is time-consuming and inefficient

WealthEngine: A Prospecting Tool That Works

Fortunately, there are services that collect data from reliable public and proprietary databases and present them in an aggregated analytical format. One of the most well known is WealthEngine.

This subscription-based online service allows you to build financial and demographic profiles of clients and prospects by aggregating data from 30 wealth-related data sources, including *Dun & Bradstreet*, *Lexis Nexis Real Estate*, *Guidestar*, *Foundation Trustees*, *Dialog*, and many other specialized databases.

WealthEngine's web-based prospecting tools draw from over 30 data sources to build a consolidated profile of your client or prospect:

- Axiom Household Profiles
- Cascaid—Philanthropist Profiles
- Charity Commission
- Circle of Friends
- D&B Business
- D&B Executives at Home
- DataQuick Assessment & Real Property Sales
- Dialog News
- Do Not Mail
- Experian
- FAME
- Federal Aviation Administration Airmen and Aircrafts
- Federal Election Commission Contributors
- GuideStar Foundation Trustees
- GuideStar Nonprofit Directors & Executives
- Hemscott Public Company Directors
- IRS Section 527 Directors & Organizations
- JGA Charitable Donations
- LexisNexis Real Estate
- Marquis Who's Who Biographies
- Merchant Vessels of the USA (Boat Ownership)
- Pension Data from Federal Form 5500
- Philanthropic Gifts
- Physician Profiles
- POW&R Wealthy Individuals
- Reuters Market Guide Profiles
- Social Security Administration Master Death Index
- State Political Donations
- UK Aircrafts
- UK Political Donations
- U.S. Securities & Exchange Commission Filings Waltman Charitable Gifts
- Waltman Directors
- WealthEngine Charitable Donations
- WealthID Stock Information
- Zoominfo

Depending upon available information, a WealthEngine profile will reveal the following details about your client or prospect:

- Current income and net worth
- Age
- Marital status
- Number of adults & children in the household
- Auto, boat and airplane ownership
- Current and past employers
- Private business ownership
- Corporate board memberships
- Not-for-profit board memberships and volunteer activities
- Ownership in company stock
- Recent stock transactions
- Real estate holdings and transactions
- Charitable donations
- Estimated charitable giving potential
- Relationships with private foundations
- Political contributions
- Outstanding liens
- Filings for Social Security benefits
- Accredited investor status

Since the results of a search are only as accurate as the independent databases from which it pulls information, WealthEngine takes the extra step of assigning a unique “quality of match” rating that ensures the reliability of the data.

Identifying Situations—and the Opportunities They Present

Having this depth of prospect information at your fingertips can make it easier to identify situations where you may be able to offer helpful financial guidance. Let’s examine a few hypothetical examples of what a WealthEngine search on a prospect might reveal and the opportunities that might arise from these situations.

Situation	<i>A 67-year old Chicago corporate executive who no longer appears on the company’s board of directors has recently bought a condominium in Florida while selling his primary home and half of his company stock.</i>
Opportunity	<i>This prospect has probably just retired and may be looking for ways to offset the capital gains from the sale of these assets and reinvest his cash to generate income to support his retirement.</i>
Situation	<i>A high profile couple who together started a software company is divorcing and the settlement terms require equity ownership of the company to be split down the middle. The wife has decided to move on and has just filed business registration documents for her new technology start-up.</i>
Opportunity	<i>She may be planning to liquidate her stake in the previous company and invest the proceeds to create a more diversified investment portfolio.</i>
Situation	<i>A 55-year old multi-millionaire who has never married and has no children has recently sold half of his stock in a chain of outdoor apparel stores he started. He then donated the proceeds to two different advocacy organizations on whose boards he now serves. Articles about his philanthropy have appeared in a number of local and national publications.</i>
Opportunity	<i>Given his philanthropic commitment and absence of heirs, he may be a strong prospect to start a private foundation devoted to advocacy programs for the homeless.</i>

Leveraging Your Clients' Networks

While referrals represent a tried and true method of business development, really solid referrals are hard to come by and your referral pipeline can quickly dry up. One of WealthEngine's most powerful features is its "Circle of Friends" functionality. For every person researched, it can produce a list of his or her social and professional ties, including fellow board directors of public companies and not-for-profit organizations and trustees of private foundations. Essentially, it acts as an online referral pipeline.

"WealthEngine's Circle of Friends feature is like an automated referral program. My advisors research a client or prospect and with one click, they can exponentially expand their prospect pools to include people in their clients' social circles, as well as past and present professional associates. It's an incredibly efficient tool."

—C.J. Rendic, Principal, Parallel Advisors, LLC
San Francisco, CA

Sizing Up Opportunity in Your Territory

In addition to researching individuals, WealthEngine has a powerful lead generator application, aptly called Prospect Generator, that lets you create a customized list of high net worth individuals that meet your prospecting criteria. You can search across:

Specific Zip Codes	Income Levels	Real Estate Holdings	Stock Ownership	Business Revenue	Charitable & Political Donations
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Simply clicking on any name on the list produces a consolidated, comprehensive wealth profile of that individual.

"Our advisors have been very effective in using WealthEngine's Prospect Generator tool to build and refresh their pipelines with new sources of wealth. Being able to search in certain geographies and uncover private business owners has proven lucrative to some of our more innovative advisors."

—Jordan Berlin, Senior Managing Director, Advanced Equities, Inc.
New York, NY

Reaching Executives and Entrepreneurs

More than 99% of all businesses are small businesses, and family owned businesses accounted for 89% of all businesses in America in 2004.⁸ WealthEngine proves invaluable when it comes to finding information about these private business owners and their executives. Leveraging data from *Dun & Bradstreet*, *Marquis Who's Who*, *Reuters Market Guide* and other sources, it can provide personal background information, addresses and compensation figures for the highest paid company directors as well as officers and owners of 10% or more in a publicly traded company. WealthEngine can also point out hard-to-find information on the structure, revenue and leadership of private and family owned businesses, whose owners account for a significant portion of wealth in America.

Where Data Operations Meets Business Development: A Case Study

Optimizing New Business Development Efforts at the Institutional Level

In addition to its self-service web-based interface, WealthEngine also offers customized research services that can help business development teams deepen client relationships.

For example, in a large private bank or wealth management firm, client information is often limited to basic account-level data supplemented with additional information an advisor enters into a CRM system. If the client only has a deposit or credit relationship, the company may have only a limited view of that client's complete financial picture.

WealthEngine can help fill in these information gaps by screening the firm's client lists against its 30 databases and returning a data file with complete wealth profiles and scores for each client. Understanding data security issues, the process can also be reversed so that client data never travels beyond the firm's firewalls.

Using this Automated Approach for Targeted Selling Efforts

In this hypothetical example, the charitable services group within a private bank targets 5% of its ultra high net-worth clients to start a family foundation within the next three years. The business development team decides that the best way to identify viable prospects is to understand the demographic and wealth characteristics of its current foundation clients.

Client information in the firm's accounting system is limited to account types and balances, and its CRM system does not provide an adequate level of background information to aid in prospecting efforts.

In this situation, the firm provides WealthEngine with the names and addresses of its family foundation clients, requesting publicly available information on each client's estimated total net worth and income, number of properties owned, marital status, occupation, retirement status, business ownership, estimated charitable giving capacity, not-for-profit board memberships and political contributions. WealthEngine runs these names against its analysis engine to generate demographic records for each client.

The bank appends their existing family foundation client records with this supplementary information and analyzes it to find the common demographic characteristics of the individuals who manage these foundations.

In a similar exercise conducted by WealthEngine for one of America's largest wealth management firms, these commonalities were revealed among its family foundation clients (The average age of each client was 64):

Had an average estimated total net worth of \$10 million +	86%
Retired	62%
Either private business owners or partners or senior executives within public companies	79%
Served on the board of at least one not-for-profit organization	82%
Sold company stock within the past three years	46%

The firm was able to use these 'sweet spot' characteristics to identify similar clients in their advisors' books of business, improving sales efficiency and resulting in more than 70 private foundation deals in six months.

Conclusion

Continued market volatility and industry consolidation are rapidly commoditizing the market for financial products, services and advice. Stung by investment losses and more sensitive to fees, wealthy Americans now expect current or prospective advisors to come to meetings with more to offer than generic performance reviews and product pitches. Advisors who can deliver personalized advice and solutions based on a deep understanding of each individual's financial situation and potential needs will increase client satisfaction and reduce the risk of attrition.

Financial advisors should use this same approach when trying to win business from the nearly one third of all wealthy individuals who may be open to changing advisors or beginning a relationship with an advisor. Referral sources will always serve as the most effective means for connecting advisors and prospects, but those advisors who leverage prospecting tools that help them be more prepared, more creative and more informed will be in a better position to win more business.

About WealthEngine

WealthEngine is a leading provider of sophisticated wealth identification and prospect research tools to financial services firms, nonprofit and for-profit organizations. More than 2,000 clients use WealthEngine's products for comprehensive prospect research on individuals, companies and foundations. Headquartered in Bethesda, MD, WealthEngine offers products in both the United States and the United Kingdom.

About the Author

For more than 15 years, Jeff Briskin has developed successful, client-focused advertising and marketing programs, new business development strategies, thought leadership programs, and sales training programs for Fidelity Investments, Pioneer Investments, Columbia Management, U.S. Trust, and Bank of America Merrill Lynch. His firm, Briskin Consulting, provides a broad range of strategic marketing and sales support services to help wealth management firms and their advisors gain, retain, and sustain high net-worth and institutional relationships more effectively. Jeff is a former user of WealthEngine's prospecting tools.

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 - ³ The Spectrem Group, *Mass Affluent Investor 2009*, October 2009
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 - ⁵ Pew Research Center, *Women, Men, and the New Economics of Marriage*, January 2010
 - ⁶ Prince & Associates and Campden Research, *Protecting the Family Fortune*, 2009
 - ⁷ Bank of America/The Center on Philanthropy at Indiana University, *2008 Bank of America Study of High Net- Worth Philanthropy*, March 2009
 - ⁸ Donald DePhamilis, *Mergers, Acquisitions and Other Restructuring Activities, Fourth Edition*, Elsevier, 2008.