



## Reap More Fee Income With Wealth Management

profitability business customers pandemic

**Summary:** Not every community financial institution counts wealth management services among its offerings. Yet, if you do, now may be the right time to review this service for greater fee income.

According to a recent poll by Gallup, 55% of Americans say they own stock. This has been pretty consistent over the last decade too. Just as not every American owns stock, not every community financial institution (CFI) counts wealth management services among its offerings. However, for those that do, now may be the right time to review your wealth management plans, as fee income becomes more important.

While the wealth management industry uses a variety of compensation models, charging a percentage of assets under management (AUM) might be the most common. According to Simon-Kucher research, average AUM fees have declined from 1.01% in 2015 to 0.74% in 2019 however, there are some things you can do to reap more fee income.

**Track and analyze discounts.** A 2018 WISE Gateway report estimates that between 25% and 30% of new wealth management clients get fee discounts up to nearly 22%. If you're related to an existing client, you could get a much larger break on fees: an average of just over 68%.

Brokers typically offer these discounts on an ad hoc basis, with little guidance from financial institutions and wealth management firms. Tracking, analyzing, reviewing broker guidelines and market information can all help CFIs create a single pricing structure. If discounts need to continue, make them consistent and benchmarked to historical data. But, also ensure that they still make wealth management services worth your while.

**Balance digital with the human touch.** Trapped at home during the COVID-19 pandemic, wealth management customers developed a huge appetite for digital wealth management services, including real-time updates. Instead, they got brokerage and trading platform outages.

CFIs could take the lead in creating the right experiences for wealth management customers. While bumping up some of the technical elements such as video conferencing and online account tracking, many wealth management customers expect the human element too. Creating a balanced offering will likely appeal to your customers and could bring in new ones.

**Highlight value differentiation.** Perhaps most concerning is the lack of uniqueness among the wealth management firm's offerings. Under the AUM model, the amount clients pay may not correlate to their gains or their "perceived" value of the services. Customers want to know what makes the service different from what they could get down the street. This is where you can show why your personal touch is important in an industry that finds itself awash in robo-advisors. Customization and undivided attention provide value to customers, allowing you to charge a premium while enhancing customer loyalty.

## ASSESS PROFITABILITY THROUGH THE CRISIS

Profitability FIT is a [profitability solution](#) that measures performance on both a customer relationship and an account basis. With PPP and loan modifications, this is key. Contact us today for more information.

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