

# PRIVATES FIRST CLASS

*Many investment professionals have considered enlisting in the ranks of private wealth management. But passing muster may be harder than they think.*

BY ED MCCARTHY

There's no denying the appeal of working in private wealth management for CFA charterholders who are seeking a career change. Private wealth management has been a growing field for most of the past decade as the number of wealthy investors has increased. Research firm Spectrem Group reports that the number of U.S. households with a net worth over \$1 million (not including primary residences) grew steadily since the early part of the decade. The number peaked at 9.2 million households at the end of 2007 but dropped sharply to 6.7 million by the end of 2008. The increase in personal wealth early on spurred growth in the number of advisers working with the affluent as well. Stephen Horan, CFA, head of professional education content and private wealth with CFA Institute, notes that 30 percent of CFA Institute members now report that they manage assets for private clients.

Apart from going the entrepreneurial route and starting a registered investment adviser firm, the private wealth field offers multiple career paths. Larger firms hire for traditional investment analysis and portfolio management, operations, client service, and business development. Smaller firms often require professional staff to fill more than one role (for example, dual responsibilities for portfolio management and business development).

Although private wealth management had enjoyed solid employment growth in recent years, the bear market slowed—or even reversed—that trend, particularly at firms that depend on the assets under management (AUM) model. Reports of staff layoffs have been appearing in the trade media for a while. Nonetheless, the industry has held up well compared with other segments of financial services, according to Richard Lipstein, managing director with Boyden Global Executive Search in New York City. “It remains a very viable business,” says Lipstein. “No one has talked about the demise of the private wealth management business like they talk about equity research or they talk about M&A or they talk about structured products. While

wealth management has clearly been impacted by the marketplace, it has not experienced the restructuring that has happened in any number of other parts of financial services.”

## GETTING YOUR FOOT IN THE DOOR

In spite of the industry's steady growth, getting into private wealth management initially can be a challenge for charterholders and candidates who are trying to switch careers. Career changers often have successful experience in their fields, and the CFA charter is a highly valued credential. But unless the job seeker's experience matches the hiring firm's needs, the applicant may be overqualified for entry-level jobs and lack the specific experience needed for more senior-level positions.

Gerry Lachnicht, CFA, started his finance career in a management training program with a Florida bank straight out of



Gerry Lachnicht, CFA

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college. His long-term career goal was to work in investments, and he began pursuing the CFA charter in the mid-1990s. He attempted to transfer into a management training program for the bank's trust department but was unable to do so because he was already a bank employee. “[The trust department] seemed very, very exclusive and sought any excuse to not let people in, unless you came through certain channels,” he says.

Lachnicht subsequently moved to an investment holding company where he worked as a financial analyst and earned the CFA charter in September 2000. Although he enjoyed the work and stayed with the company for 10 years, he continued to seek an entrée into private wealth and earned a master's degree in finance to enhance his credentials. He became an active member of the CFA Society of South Florida, where he has served on the

In a competitive environment, career growth requires a proactive strategy for capitalizing on the opportunities that come your way.

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board since 2001, but he still encountered obstacles when attempting to move into the world of private wealth. “It wasn’t like I was unhappy where I was, so I wasn’t out there pounding the streets all the time—I was very selective,” he recalls. “But clearly, there are a lot of barriers. It’s not an easy industry to break into, especially here in South Florida, because it seems to me that it’s more of the small shops down here, the small private wealth management firms. You don’t have a lot of the entry-level jobs that come with the bigger banks at more of the money-center locations.”

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Brian Johnson

The weak economy is also affecting job seekers in areas besides investment management. Brian Johnson, a Level II CFA candidate in San Francisco, is trying to get into the operations and information technology (IT) side of private wealth management. He has completed a series of successful IT-consulting projects at firms in his area in recent years while finishing graduate school. Although the contract assignments have gone well, Johnson says the firms have been unwilling to create a full-time position for him in the current economic downturn. “My last two opportunities could have evolved into something more, but budget constraints [at the firms] have definitely been a hurdle,” says Johnson.

#### LARGER FIRMS

Of course, private wealth management firms haven’t stopped hiring completely. Instead, many are focusing almost exclusively on adding advisers who can bring a book of business—i.e., wealthy clients—to the hiring firm. This situation has created a two-tier hiring market in which career changers seeking “client-facing” positions are often at a disadvantage. Advisers who can bring clients and assets to the new firm are recruited actively, but newcomers without clients are much less desirable.

“Anybody who can bring revenue to the table is valued,” says Danny Sarch, president of executive search firm Leitner Sarch Consultants in White Plains, New York. “There’s probably been more movement in the last year than the industry has ever seen. That’s because the industry did an unbelievable job of destroying both customer loyalty and employee loyalty based on what they did.”

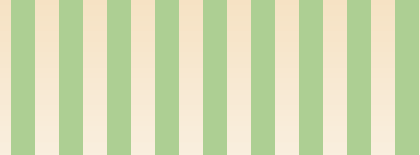
Many of the larger financial services firms have focused on top producers, raising their minimum production requirements and restructuring compensation packages. Consequently, lower-end producers have left to become Registered Investment Advisors (RIAs) or have moved to smaller firms, a trend that expands the talent pool available to smaller firms but increases the challenge faced by newcomers trying to get hired in the field. “Right now, it’s bleak,” says Sarch. “I’m not going to sugar-coat it. In the corporate sense, anybody that is not directly delivering profitability or something on the revenue side is going to have a tough time convincing any firms to hire them.”

Although large firms have been paring the ranks of their advisers, they have a cyclical history of cutting too many positions and then hiring again. For example, Merrill Lynch, now owned by Bank of America, is already hiring. But getting hired is not as easy as it once was for career changers, even those with strong credentials, such as the CFA charter. “You’re going to be asked to think about what your center of influence is in terms of where you’re going to gather clients,” says Sarch. “You’ve got to be very thoughtful about that and how you’re going to build a business, or else they’re not going to give you a real shot and you’re going to fail.”

Sarch estimates that the long-term success rate for the brokerage firms’ new “solo” advisers is in the range of 10–20 percent. In his view, a more viable approach to succeeding in the brokerage environment is to join a wealth management team. Doing so requires the career changer to convince the team’s existing members that he or she will benefit the operation, even without bringing in clients. But the arrangement can work well for both parties. The successful candidate increases his or her likelihood of career success, and the team gains access to the charterholder’s skills, which can boost the team’s analytical capabilities and perceived expertise with clients and prospects.

But joining a brokerage team won’t completely relieve the charterholder of the business development role. The position generally requires the ability to meet with prospects and clients and articulate the team’s investment strategies in presentations and one-on-one sessions. For those who possess both analytic and communication skills, Sarch believes there are solid opportunities with brokerage firm teams. “When you talk to the really top people in the wealth management business, they aren’t losing assets, they’re gaining assets, because there are so many dissatisfied clients,” says Sarch. “To the extent that these charterholders can convince some of the better teams how they might be worth a lot if hired, there are some tremendous opportunities out there.”

Of course, getting hired does not guarantee survival and prosperity in the brokerage environment. John Straus, head of UBS’s ultra-high-net-worth private wealth management group, employs several CFA charterholders in his group’s teams and in analytic support roles. He values the charter’s credibility but stresses that long-term success requires more than analytic skills. “An additional challenge is how you even find that



prospective client to sit down in front of,” he says. “That takes a fair bit of time. Just because somebody is very smart doesn’t mean that a client or prospective client will necessarily sit down and meet with him, so it’s not a career path that will be right for everybody.”

“To develop a book of clients who view that individual as a trusted adviser, that’s a three- to six-year proposition,” he adds. “If you’ve got that kind of mindset that you can make that mental commitment and the financial commitment of what that implies, then a CFA background could be particularly attractive, provided those other qualities are also met.”

Career changers with experience in a narrowly focused specialty face an additional challenge in switching to private wealth management. In the past, a charterholder with expertise as, say, a fixed-income municipal credit analyst could make a career out of that specialty. That narrow expertise is less desirable for today’s private wealth management firms, though. “We still have that role, but I think things have evolved now and clients are very interested in meeting all the individuals that are involved in the process,” says José L. Santillan, CFA, senior vice president and head of investments with Harris Private Bank in

**“We want individuals that tend to have a broader background and tend to think more holistically when they are either doing their job or talking to clients.”**



José L. Santillan, CFA

Chicago. “As a result, we’re looking for people that not only have the analytical skills but also have strong communication skills and the ability to articulate whatever their role is as if it was in front of a client. We don’t hire an analyst to have just analyst skills and basically say, ‘You’ll never leave your cubicle.’ So, consequently, we want individuals that tend to have a broader background and tend to think more holistically when they are either doing their job or talking to clients.”

#### ADDITIONAL OPTIONS

Large financial services firms aren’t the only private wealth management option for career changers. The growth of multifamily offices (MFOs) and independent RIAs offer additional opportunities. GenSpring Family Offices is not a household name, but the company has 300 employees in 15 offices across the United States and advises on roughly US\$18 billion of assets. And the firm has a history of hiring charterholders. According to John Elmes, CFA, a senior partner with the firm, GenSpring has 27

charterholders on staff, and more than 87 percent of the firm’s client-facing investment professionals hold the charter.

The firm has several entry points. On the analytic side, the firm’s investment group, located in southeast Florida, provides due diligence and performance reporting for the rest of the company. In the local offices, CFA charterholders, many of whom have investment backgrounds, work in client-facing positions. Of course, a career changer who lacks experience working with ultra-wealthy clients shouldn’t expect to step right into a client-facing role immediately. GenSpring’s clients have average investable assets of almost US\$28 million, and they expect experienced advisers to service their accounts. But that doesn’t mean GenSpring won’t consider career changers. “We’ve actually taken new CFA charterholders and started them in more of a support role with the team and then let them grow inside our organization into a full-blown adviser,” says Elmes.



John Elmes, CFA

Mid-sized RIAs are much smaller than such a national organization as GenSpring, but as these RIA firms approach assets under management of US\$500 million, some are finding they can benefit from additional investment management expertise. Mark Willoughby, CFA, principal and wealth manager at Modera Wealth Management in Old Tappan, New Jersey, says that over the past two years, his firm’s management team recognized the need to centralize and standardize their processes at the investment committee level. This approach allows the committee to act as the driver of the firm’s investment philosophy and execution rather than have managers act individually. “We have come to the point where we feel we need to resource a position that will focus purely on managing the investment committee and doing all the research on the existing products we use and potential new products that we could consider adding to our client portfolios,” says Willoughby. “At this point we can’t afford it quite yet, but we feel like it’s pretty much a full-time job.”

Modera’s principals identified a potential hire from their professional contacts at a mutual fund company and are discussing the position with him. Willoughby stresses that the person hired for this new role will not be responsible for bringing in new business or managing client relationships. Instead, the position will focus solely on in-depth investment research and management. “The skill set and orientation that we’re looking for in the person is very, very research-oriented bent,” says Willoughby. “His research background is an absolute must and a big advantage for this particular position, because we are looking for someone who has a deep research background to drive the investment committee.”

Willoughby suspects his firm’s decision to create a chief

## New Business Development Tools Connect Advisers with Clients

In private wealth management, communication with clients is essential for building trust. “Frequent client contact drives loyalty, increased wallet share, and referral business,” explains Kevin Darlington, senior vice president of HNW, a marketing agency focused on financial services. “In fact, our research shows that affluent investors who say they are ‘highly satisfied’ with their primary financial adviser have an average of 14 contacts with that adviser over a six-month period.”

Yet many of the 30,000 CFA Institute members engaged in private wealth management are not taking full advantage of their communication options. Additionally, many have found themselves frustrated at one time or another by a general lack of awareness of one of their biggest competitive advantages—the CFA designation.

To help charterholders market themselves and their private wealth businesses, CFA Institute has partnered with HNW to develop two new marketing programs: the private client e-newsletter and a set of marketing templates for printed communications. The new marketing tools can help charterholders build client relationships and “tell their story” as charterholders, according to Stephen Horan, CFA head of professional educational content and private wealth at CFA Institute.

The private client e-newsletter allows members to produce customized newsletters by selecting content from a menu of globally relevant syndicated articles from publications such as the *Wall Street Journal* and *The Economist*, along with original CFA Institute investor education content. The tool includes a tracking mechanism to identify topics most important to clients. The US\$250 annual fee, heavily subsidized by CFA Institute, is fully refundable if the tool does not meet member expectations.

Timothy G. Parker, CFA, with Hudson Capital Management in Ridgewood, New Jersey, has used the private client e-newsletter to prospect and build stronger relationships with his existing clients. In his second issue, Parker included an article that explains the value of hiring a charterholder, which he personalized with his own edits. “I seized the moment with this newsletter because the price was reasonable, it was well put together, it has relevant articles to my clients, it gives me a new slate of articles monthly, and allows me to add my own content,” he says.

In addition to the private client e-newsletter, the marketing templates provide the basic designs and text for a brochure, pitchbook, and direct mailer. Each template includes language that articulates the value of the CFA charter to the wealth management relationship. Albert Cavazos, CFA, with AC Financial in San Antonio, Texas, integrated text from the pitchbook into his firm’s existing PowerPoint presentation. “When we give the presentation to clients, I explain the ethical standards we need to maintain the designation,” he says. “It helps make the CFA designation one of the value-added features that set me apart from other financial advisers in the community.”

CFA Institute members can access the private client e-newsletter and the marketing templates by going to [www.cfainstitute.org/privatewealth](http://www.cfainstitute.org/privatewealth).

investment officer (CIO) position bodes well for charterholders seeking to transition into wealth management. Although he has not discussed the idea of hiring a CIO with principals at other independent RIAs of comparable size, he believes that some will come to a similar conclusion as Modera.

“The type of position I’m talking about here is really for the firm that is US\$400 million or above,” he says.

“Otherwise, they are just not going to be able to afford a person like this, especially if all they want the person to do is drive the investment process. Clearly, a firm that’s at US\$300 million and generating [annual] revenue of US\$3 million at most is just not going to be able to afford a specialized person like that.”



Mark Willoughby, CFA

### THE VALUE OF NETWORKING

Identifying potential employers is the first step; landing a job interview is the second. Lipstein advises career changers to analyze the marketplace and determine the relevance of their backgrounds for the private wealth sector. With that information in hand, the next step is to identify a person with hiring authority. “It comes down to researching the marketplace and knowing how your capabilities as they stand now fit into private wealth management,” he says. Those who have networked “to at least a minimum” are bound to find people they know at firms where they want to work. “While you may not get in there directly by calling the right person who’s in the area you want,” adds Lipstein, “getting inside a company and being moved around by a sponsor or two is the right way to do it.”

Other sources agreed with Lipstein’s emphasis on the value of networking. Willoughby recommends getting involved in associations, such as local CFA Institute societies, the Financial Planning Association, and National Association of Personal Financial Advisors. By networking in those communities, attending association events, getting to know the players, listening to what the investment challenges in particular are for the RIA or the independent broker/dealer, candidates can improve their prospects. “A lot of these CFA charterholders, I would assume, are coming out of large institutional investment shops and wouldn’t necessarily be all that familiar with our niche of the industry,” he says. “I think they need to arm themselves with a familiarity about how it’s different on our side of the fence so that they can begin to speak the language that we speak.”

Networking through his local CFA society (South Florida) paid off for Lachnicht in late 2007 and led to his current position as a portfolio manager and senior investment analyst with Keating Investment Counselors in Delray Beach, Florida.

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## A Quest for Relevance

**Building and maintaining CFA Institute bodies of knowledge depend on input from members and non-members**

BY MATT SCANLAN, CFA, AND JAMIE UNDERWOOD

**T**he Global Body of Investment Knowledge™ (GBIK™) plays an important role in the CFA Program.

The GBIK is a comprehensive outline of knowledge for investment professionals to use at any stage of their career—novice through expert, generalist, or specialist. It includes mainstream and frontier concepts based on research that has been (or is still being) debated and may encompass views well outside the mainstream.

Geared more toward the CFA charterholder, the GBIK serves as a member tool for continuing education and lifelong learning by members. In addition, the GBIK serves as a guide to all CFA Institute lifelong learning activities, including publications, conferences, and other continuing

education programs. “One of the biggest opportunities we have at CFA Institute is to help members advance their professional skills,” says John Rogers, CFA, president and CEO of CFA Institute.

In a recent survey, 81 percent of CFA Institute members said they believe participating in continuing education is necessary to maintain professional competence in the investment industry—thus, it is essential for the GBIK to remain current and globally relevant. Of course, achieving that goal takes considerable commitment and involvement from members, employers, CFA Institute staff, and CFA Institute Program Partners.

The Education Advisory Committee (EAC), a volunteer group of prominent CFA charterholders, has been charged by the CFA Institute Board of Governors with oversight

for developing the GBIK. To this end, the EAC established a four-phase, continuous global practice analysis process that is designed to solicit input from investment professionals throughout the world. After an intense year of rigorous study, the EAC approved a revised version of the GBIK on 1 September 2009.

The new GBIK is published on the CFA Institute website and on the Body of Knowledge collaborative website. These websites allow investment professionals to actively discuss the GBIK and suggest additions or changes to the current living draft of the GBIK. “The Body of Knowledge collaborative website was established primarily for the purpose of vetting the GBIK and having CFA Institute members discuss the depth and breadth of that GBIK,”

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The firm’s founder and principal had passed away suddenly. The founder’s brother stepped in to help keep the firm running while his nephew, the founder’s son, who had recently joined the firm out of college, gained experience. The brother turned to Lachnicht, whom he knew through the South Florida society, and asked him to join the firm. “So, after eight years of networking, it finally paid off, and an opportunity came across,” says Lachnicht.

In addition to providing access to local societies, CFA Institute offers an array of services for job seekers. The CFA Institute website’s “Member Resources” page includes links to JobLine, the Career Centre, and career events. CFA Institute also hosts private wealth management conferences and specialty programs that can enhance a career changer’s technical knowledge in specific areas of wealth management.

Private wealth management will continue to be an attractive career option, but it’s not the right path for every charterholder considering a transition. Sean Casey, CFA, founded wealth management firm Vestian Group in 2008 and serves as the president and CIO. He plans to increase the firm’s staff over the next few years and wants to see several qualities in potential hires. “It’s one thing to say you’re interested in private wealth, but to truly understand why your skill set may be useful in a private wealth setting is pretty important.” Career



Sean Casey, CFA

**“It’s one thing to say you’re interested in private wealth, but to truly understand why your skill set may be useful in a private wealth setting is pretty important.”**



changers, especially those in senior positions, may have to allay an employer’s doubts about their commitment. “If somebody is coming down in income to work with me, is he going to stay with me long enough, or will he be looking for a higher income situation?” says Casey. “I need to know the motivations of the person that I am hiring are aligned with mine and it’s somebody that I want to hire for a long time.”

*Ed McCarthy is a financial writer in Pascoag, Rhode Island.*