

Executive Summary

- Reflecting on our commentary from 2012
- The advantages of a ‘boutique’ environment
- The power of independence and Snowden’s progress

Revisiting “Dis-Economies of Scale”

In February 2012, we published a Snowden Perspectives entitled “Dis-Economies of Scale” [<http://snowdenadvisors.com/documents/Dis-EconomiesofScale3-2012.pdf>] that reviewed the increasing operating challenges (regulatory, environmental, cultural and technological) faced by large financial institutions, and the opportunities for agile, new model independent firms to win clients and advisors with a renewed focus on clients, client interests and client service.

Since that time, the culture at the wealth advisory units of large banks has become only more restrictive, more regulated, less entrepreneurial and more difficult for advisors and clients alike. It is no wonder that in 2012 roughly \$65 billion of client assets left the wirehouses, and nearly a third, or approximately \$21 billion, went to the independent channel!

It has reached the point where at least one wirehouse is apparently looking to re-position themselves like independents. In a recent interview with Wealth Management.com, Bob Mulholland, Head of Wealth Management at UBS, said:

“Our goal really is, and I say this a bit tongue in cheek, to be the largest boutique on earth. . . All firms have a scarce commodity called “resources.” You want to get these resources to your best financial advisors who then will get them to their best clients. I think in some ways, scale dilutes that.”

Mr. Mulholland is only now validating what we have been saying for a while. In our February 2012 “Dis-Economies of Scale” piece, we commented on the boutique advantage:

Snowden believes that the high end wealth advisory business will thrive in smaller companies with fewer, but higher quality advisors and experienced senior management that is closer to advisors and clients. Such firms can make faster and better decisions about business, compliance and risk. Enabled by new technology, lower fixed costs and an ability to achieve efficiencies, smaller firms now have a decided operating advantage in servicing clients and navigating the financial services landscape.

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About Snowden

Snowden is an independent wealth advisory firm. We embrace open-source solutions and deliver client-focused advice. For our clients, that means we can advise on their assets no matter where they are held and source appropriate investments to best meet their goals.

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Rob spent 22 years at Merrill Lynch, in New York, Singapore, Hong Kong, and London. He was General Counsel and Chief Business Risk Officer of Global Wealth Management (GWM) and a member of the GWM Executive and Operating Committees. He previously held senior executive positions in International Private Client and the Asia Pacific Region. Rob started at Merrill Lynch in London (Europe, Middle East and Africa Region) and before that worked at the U.S. Securities and Exchange Commission. Rob has a BA from Franklin and Marshall College and a JD from George Washington University. He is a Board member and former Board Chairman of the American Red Cross of Central New Jersey and a founding Board member of the Christina Seix Academy, a residential school for underprivileged inner city children. Rob and his wife reside in Princeton, NJ and have four children.

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It seems to us at Snowden that the broader financial services community, including advisors and management, is once again realizing that the real differentiator in wealth advisory is what it has always been: good people, strong relationships, and personal service. These critical attributes are better achieved by real ‘boutiques.’

The Power of Independence

The attributes of the independent model are by now fairly well known amongst financial advisors – freedom from proprietary products and cross selling, freedom from bureaucracy, freedom to be a true fiduciary, freedom to choose from a world of products and services, and freedom to utilize cutting edge technology – and advisors continue to value these attributes, as demonstrated by their continuing flight from the wirehouses to the independent channel.

One of the most compelling reasons for independence, further emphasized by another new group of top advisors and clients at Snowden, is the desire to be served by a trusted organization, with high touch personal service - on an institutional level – in a values-driven culture. Snowden’s boutique, partnership culture—where partners own equity interests in the firm—is well suited to meet these requirements.

Unfortunately, for their clients, large banks are not as well suited for a relationship driven business. As we said in our February 2012 piece:

Large banks have always operated layered bureaucracies, and the current environment demonstrates that client focused wealth advisory businesses are not compatible with the process driven cultures of large banks. Large banks typically design policies to the “least common denominator” employee. As numerous advisors have told us, in addition to the pressure to sell bank products, they are challenged to accomplish anything other than standardized business. When they seek approvals, they must often go through layers of people who have no incentive to approve anything— let alone anything out of the ordinary.

Snowden’s Chairman, Lyle LaMothe, said in a 2011 interview shortly after he left Merrill Lynch, “advisors who are selling the entire bank – rather than being totally focused on wealth management – will not provide the best possible planning and investment advice to their clients.”

Snowden’s Full Service Solution

Snowden’s hybrid platform of an integrated RIA and broker-dealer provides the full range of products and services that advisors and clients expect, in an independent and open architecture model. It is worth noting that the fastest growing segment of the independent market is for ‘dually registered’ advisors who want both advisory and broker- dealer capabilities.

Snowden recently welcomed new partners to our company - another experienced, high quality team of advisors in New Haven, Connecticut. As we approach \$1 billion of client assets under management, we are experiencing the power of being an independent boutique firm.

At Snowden, our financial advisors and our management team are highly experienced and proven. Our management team is literally one phone call away from every advisor and client. In an increasingly complex world of financial advisory services, Snowden’s focus on advisor teams, and teamwork in the executive suite, is a differentiator. We pride ourselves on our partnership, our relatively flat organization, and our ability to respond quickly to advisor and client requirements.