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SEI Private Banking

2007 Q1 Executive Quick Poll
The War for Talent

Summary of Results

Introduction

As expectations for revenue growth continue to intensify, many private banking and wealth management (PB/WM) organizations are increasing their focus on attracting and retaining top Relationship Managers (RMs). This “War for Talent” has escalated to new heights, and understanding the key drivers behind RMs’ decisions to stay with their current employer or move to a new organization is becoming increasingly important.

Presented in this document is a summary view of the results of SEI’s 2007 Q1 Executive Quick Poll on the “War for Talent”.

Executive Quick Poll Objective

Our primary objective was to understand the drivers for attracting and retaining RMs from the perspective of the executives of PB/WM organizations. In addition we wanted to understand the levels of turnover that these institutions have experienced and what impact that has had on their business.

Method

Using an online survey, we solicited the opinions of heads of PB/WM organizations worldwide. We asked a short series of questions to elicit feedback regarding their organization’s position on recruiting and retaining relationship management talent. We received 70 responses and appreciate the time and attention that was given by the respondents.

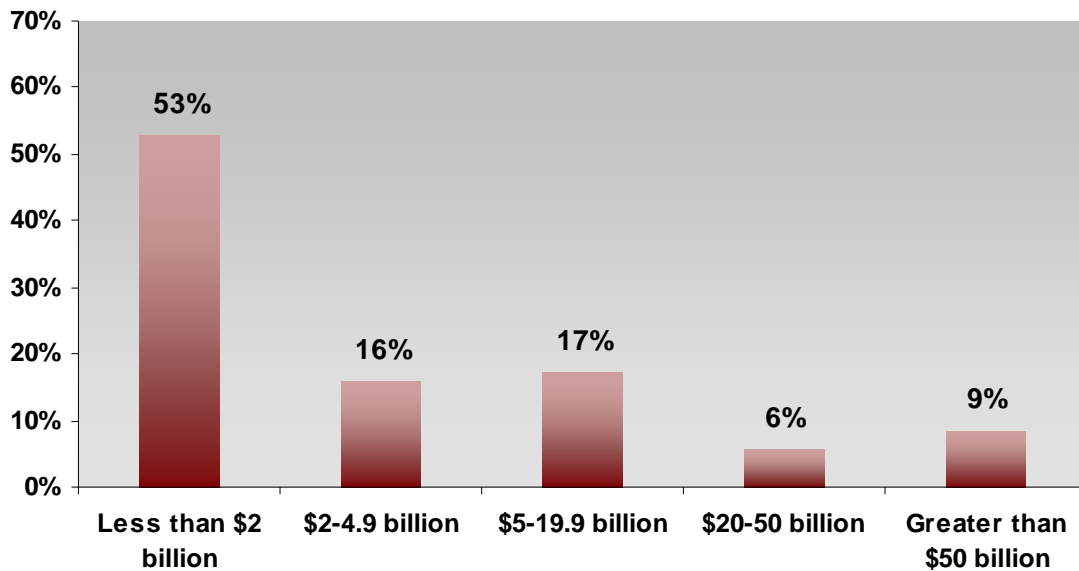
Next steps

Within the coming months we will conduct a similar survey to solicit feedback from RMs at PB/WM organizations. Once complete, we intend to publish a research article which will include in-depth analysis and commentary on the findings of both surveys. In the interim, we hope you find these results valuable and informative.

If you have any questions or feedback, please email us at quickpoll@seic.com.

Respondents formed a representative sample of the marketplace, as defined by client assets under management (AUM).

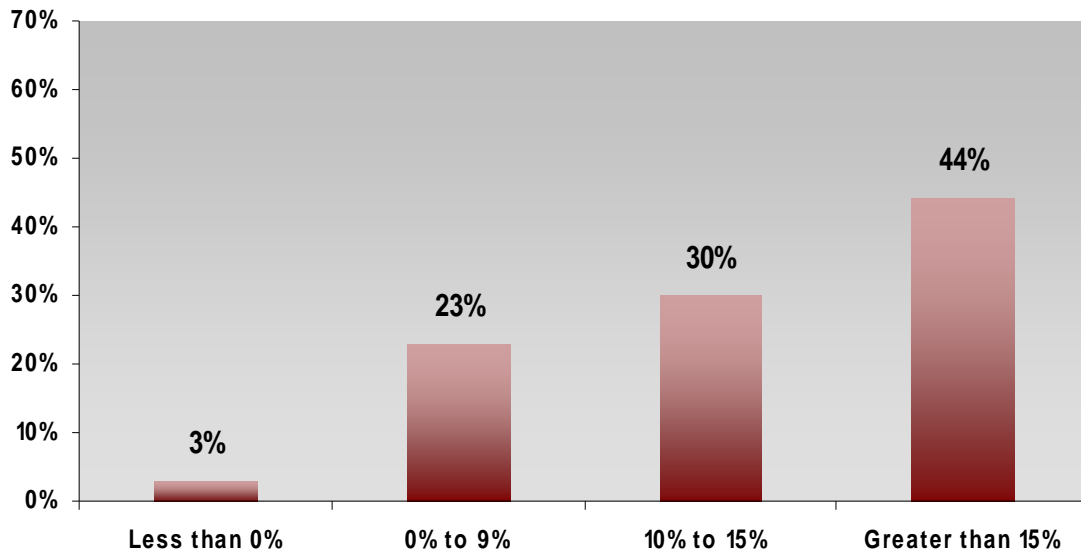
Q1. Please indicate the size of your private banking/wealth management (PB/WM) organization by total client assets under management (USD).



- Of the respondents that participated in the survey:
 - 53% represented firms with less than \$2B in client AUM
 - 47% represented firms with greater than \$2B in client AUM

Non-U.S. organizations experienced greater revenue growth in 2006, but the majority of organizations enjoyed at least 10% revenue growth.

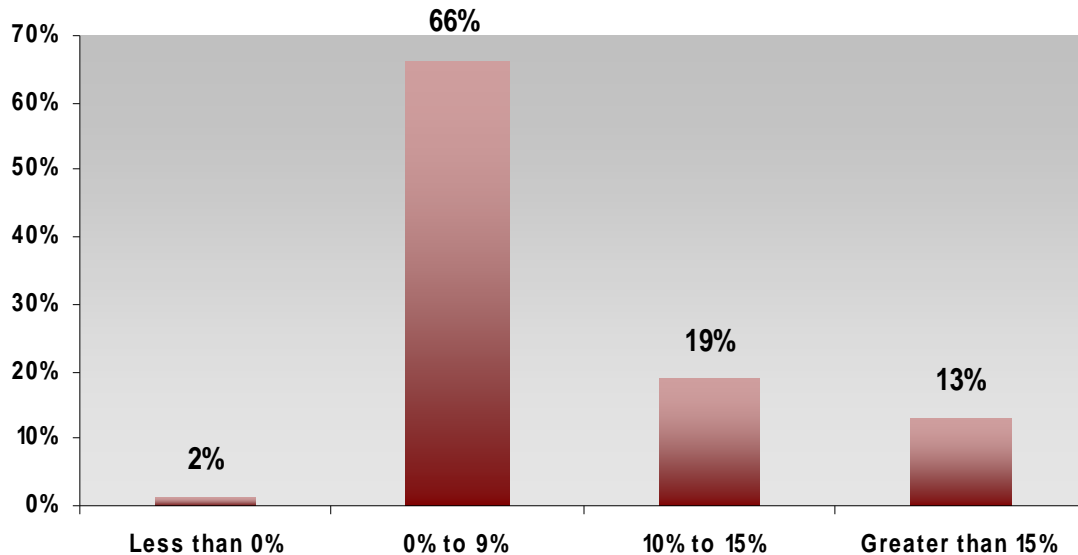
Q2. How much revenue growth did your PB/WM organization experience in 2006?



- 74% of respondents experienced at least 10% revenue growth in 2006
- 61% of non-U.S. respondents experienced greater than 15% revenue growth, as opposed to only 38% of U.S. respondents.

Relationship management compensation expenses increased at a lower rate than revenue growth in 2006.

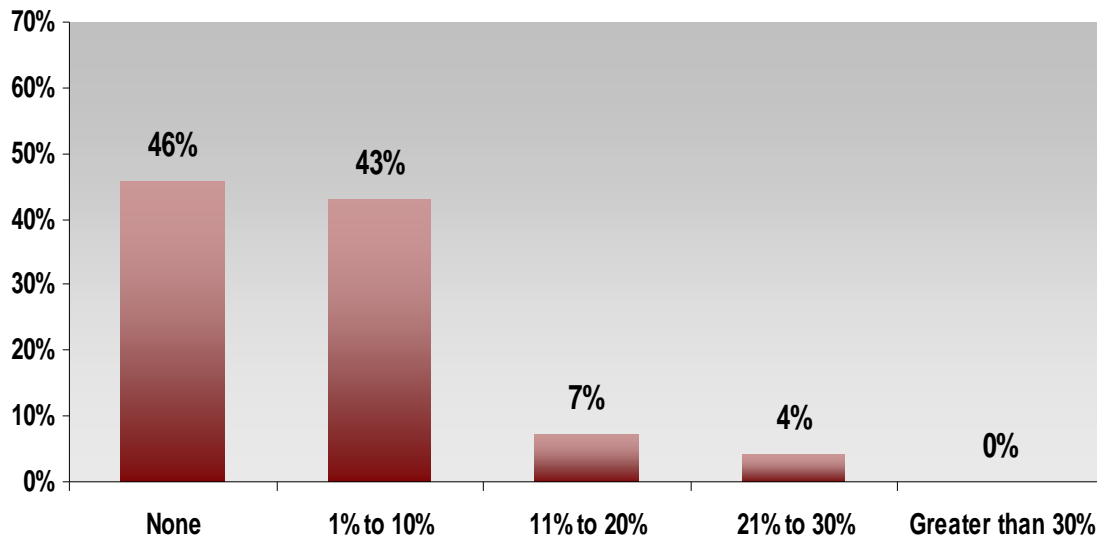
Q3. By what percentage did your PB/WM organization's total relationship management compensation expense increase in 2006?



- 68% of respondents increased relationship management compensation expenses in 2006 by less than 10%. Overall, these expense increases are less than the revenue increases.
- 22% of non-U.S. respondents increased RM compensation expenses by more than 15%, as opposed to only 10% of U.S. respondents.

Relationship management turnover was modest across all organizations, but both large and non-U.S. institutions experienced more significant turnover.

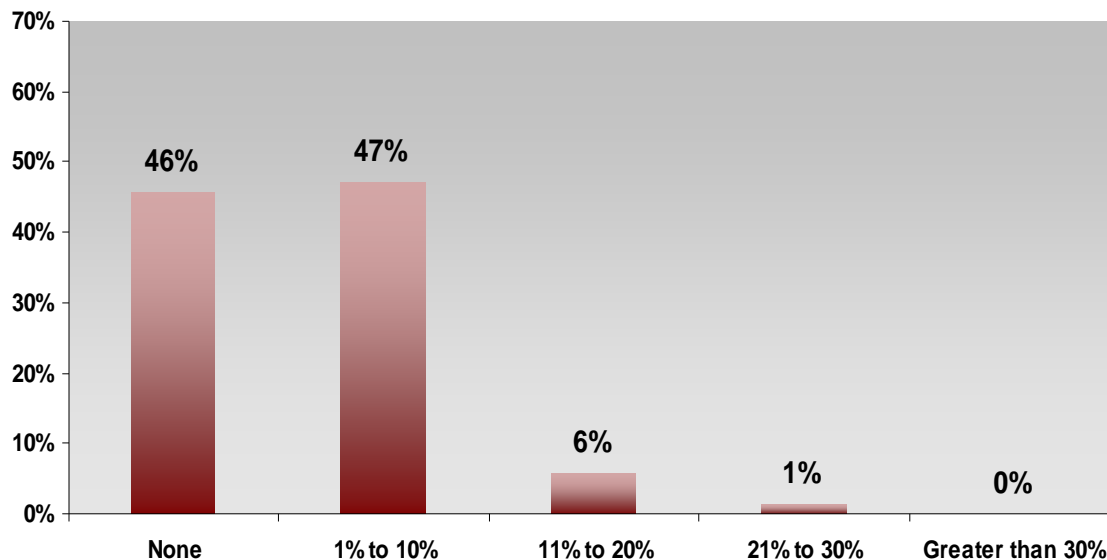
Q4. How much turnover did your PB/WM organization experience in 2006?
(in terms of percentage of total relationship managers)



- 46% of respondents did not experience turnover in 2006. Only 11% lost more than 10% of their RMs.
- 33% of non-U.S. respondents lost more than 10% of their relationship managers in 2006, as opposed to just 4% of U.S. respondents.
- 94% of respondents with greater than \$2B in client AUM experienced turnover in 2006, as opposed to just 19% of respondents with less than \$2B in client AUM.

Relationship management turnover projections for 2007 are consistent with experiences in 2006.

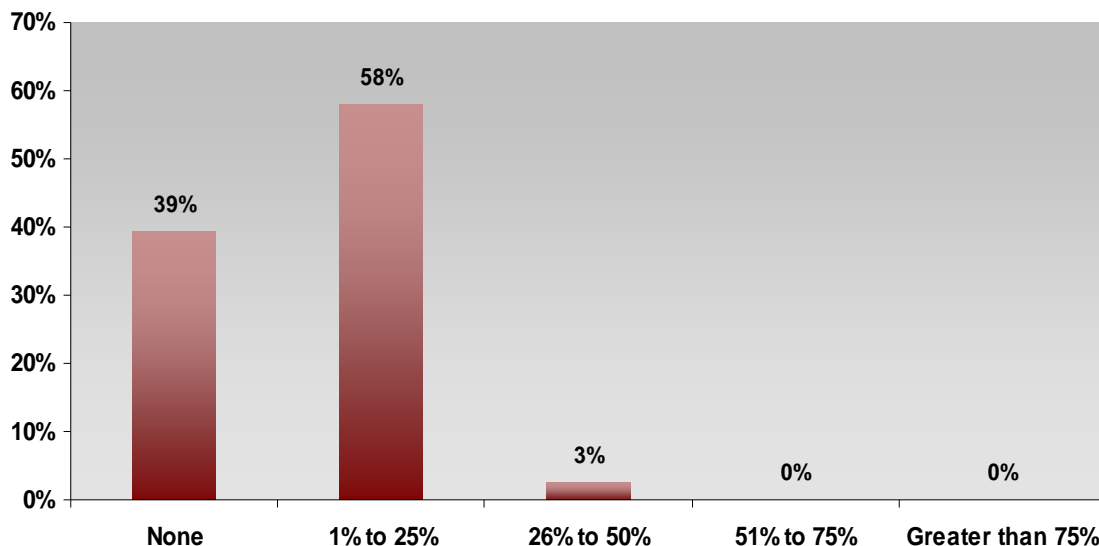
Q5. How much turnover does your PB/WM organization anticipate experiencing in 2007? (in terms of percentage of total relationship managers)



- 46% of respondents do not anticipate turnover in 2007. Only 7% of respondents anticipate greater than 10% turnover.
- 54% of U.S. respondents do not anticipate turnover in 2007, as opposed to 22% of non-U.S. respondents.
- 88% of respondents with greater than \$2B in client AUM anticipate turnover in 2007, as opposed to 24% of respondents with less than \$2B in client AUM.

Although lost client AUM in the past year was minimal, it was more prevalent in both large and non-U.S. institutions.

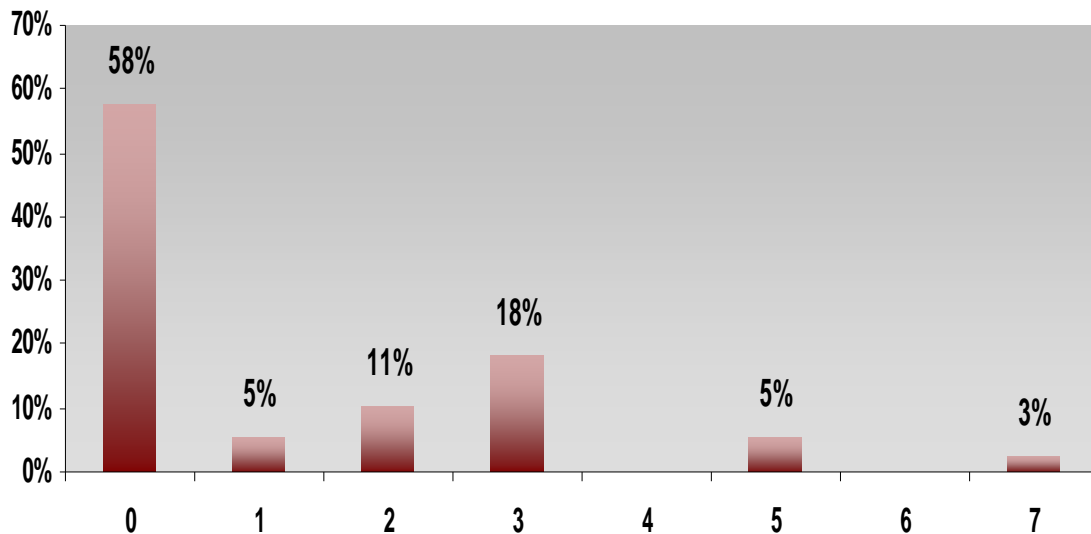
Q6. Of the relationship managers that left your PB/WM organization within the past year, on average, how much of their client AUM did they take with them?



- Of those that experienced turnover in the past year, 63% lost client AUM. Only 3% lost more than a quarter of the departing RM's client AUM.
- 69% of non-U.S. respondents lost departing RM's client AUM, as opposed to 56% of U.S. respondents.
- 68% of respondents with greater than \$2B in client AUM lost departing RM's client AUM, as opposed to 29% of respondents with less than \$2B in client AUM.
- Non-U.S. institutions were the only organizations to lose more than 25% of departing RM's client AUM in the past year.

Although top client loss was minimal, 42% of respondents lost at least one of their departing RM's top 20 clients.

Q7. Of the relationship managers that left your PB/WM organization within the past year, how many of their top 20 clients did they take with them?



- Of those that experienced turnover in the past year, 42% lost at least one of the RM's top 20 clients.
- None of the respondents with less than \$2B in client AUM that experienced turnover in the past year lost a top 20 client. 52% of respondents with greater than \$2B in client AUM lost at least one top 20 client.

Most organizations use brand, culture, and strategic business direction to differentiate themselves when recruiting relationship managers.

Q8. When recruiting RMs, how do you differentiate yourself from competing firms? (Choose top 3)

Percentage of Respondents Who Selected Each Point of Differentiation as One of Their Top 3 Choices	
Points of Differentiation	% of Respondents
Institution's <u>brand and reputation</u>	73%
Institution's <u>culture and workplace environment</u>	69%
Institution's <u>strategic business direction</u> for private banking/wealth management	51%
Wealth management product and services offering	34%
Compensation package	20%
Well-defined sales and relationship management process	17%
Wealth management platform solution (resources and technical tools available to help relationship managers perform their job)	13%
Access to new business leads	10%
Training and development programs	4%
Other	0%

- Non-U.S. firms are more likely to focus on their wealth management product and services offering than their U.S. counterparts (56% response rate for Non-U.S., 27% for U.S.).
- Institutions with greater than \$2B in client AUM focus on brand and strategic business direction when recruiting relationship management talent, whereas institutions with less than \$2B in client AUM focus on culture.

Compared to recruitment, organizations rely more heavily on culture and compensation when retaining current relationship managers.

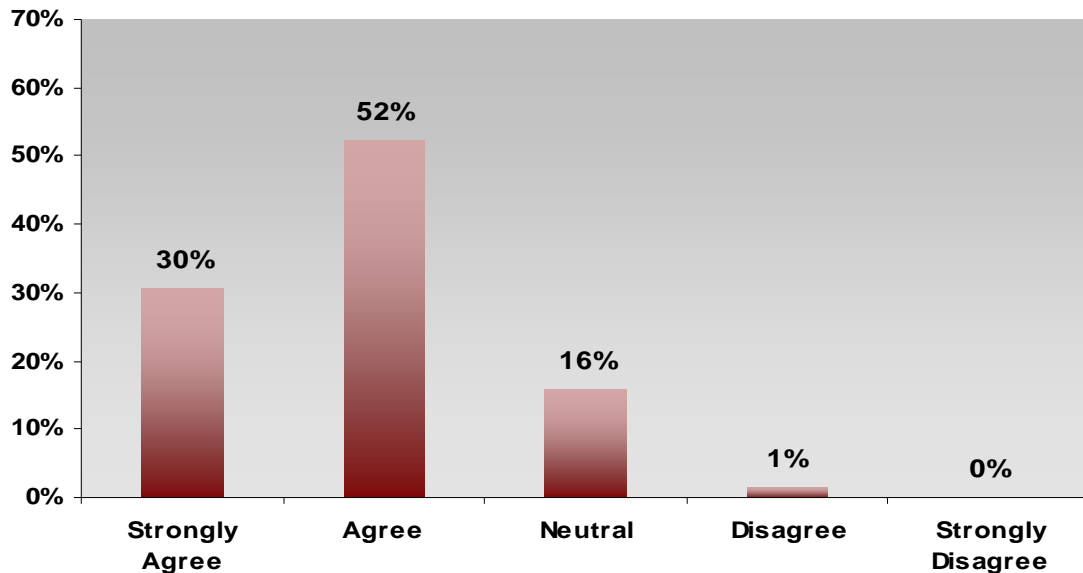
Q9. Which attributes do you believe help you retain current RMs?
(Choose top 3)

Percentage of Respondents Who Selected Each Attribute as One of Their Top 3 Choices	
Attributes	% of Respondents
Institution's <u>culture and workplace environment</u>	84%
Institution's <u>brand and reputation</u>	57%
Institution's <u>strategic business direction</u> for private banking/wealth management	43%
Compensation package	39%
Wealth management product and services offering	24%
Well-defined sales and relationship management process	17%
Wealth management platform solution (resources and technical tools available to help relationship managers perform their job)	17%
Training and development programs	7%
Access to new business leads	4%
Other	1%

- The same three attributes (brand, culture, and strategic business direction) were the most popular selections for both recruiting and retaining RMs, though brand is more important for recruitment and culture is more important for retaining.
- Compensation is notably more important to institutions for retaining RMs (39% response rate) versus recruiting them (20% response rate).
- Small and large firms rely on the same attributes when retaining RMs.

A large majority of organizations believe the wealth management platform is critical to attracting and retaining RM talent.

Q10. To what extent do you agree with the following statement: “A strong wealth management platform solution is critical in attracting and retaining relationship talent.”



- Over 80% of respondents agree or strongly agree that a strong wealth management platform solution is critical in attracting and retaining relationship talent.
- This view is shared across all geographic regions and firm sizes.

Organizations find client advice tools to be the most critical component of their wealth management platform solution for attracting and retaining RM talent.

Q11. Which components of your wealth management platform solution do you believe are critical to helping you attract and retain relationship management talent? (Choose top 2)

Percentage of Respondents Who Selected Each Component as One of Their Top 2 Choices	
Component	% of Respondents
Client advice tools	49%
Client reporting package	37%
Access to client information	36%
Client relationship management (CRM) applications	34%
Administrative and compliance resources and tools	33%
Other	6%

- Among respondents, the most popular wealth management platform solution component was client advice tools.
- Non-U.S. respondents find CRM applications more critical (50% response rate) than U.S. respondents (29% response rate).
- Respondents with greater than \$2B in client AUM find CRM applications to be critical (42% response rate), while respondents with less than \$2B in client AUM care more about administrative and compliance resources and tools (41% response rate).

Organizations find breadth and performance of their investment products to be the most critical characteristics of their wealth management product and services offering.

Q12. Which key characteristics of your wealth management product and services offering do you believe are critical to helping you attract and retain relationship management talent? (*Choose top 2*)

Percentage of Respondents Who Selected Each Key Characteristic as One of Their Top 2 Choices	
Key Characteristic	% of Respondents
Breadth of product and services offering	54%
Performance of investment products	39%
Offering sourced through best of breed third party partners	30%
Innovative investment offerings (ie, client goals-based investment strategies, alpha portability strategies)	30%
Formalized client advice process	29%
Other	9%

- Breadth and performance of investment products were the most popular choices amongst respondents.
- Innovative investment offerings are important to non-U.S. respondents (44% response rate versus 25% for U.S.), while a formalized client advice process is more important to U.S. respondents (37% response rate versus 6% for non-U.S.).
- Respondents with greater than \$2B in client AUM care more about investment performance (52% response rate, 27% for respondents with less than \$2B in client AUM).