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DELIVERING TO BOOMERS

How Will You Reinvent Your Business To Serve The New Wealthy?

The following content was transcribed from the keynote speech of Al West, Chairman and CEO of SEI Investments, at the 2005 ABA Wealth Management and Trust Conference.

I'd like to talk about probably the biggest issue facing your business. Each of you has a significant opportunity to grow your business substantially by properly tapping a relatively new wealth market that is growing in importance. The market I am talking about is the Baby Boomer.

The good news is the Baby Boomer market is growing. The bad news is to tap it, you will have to perform a makeover. Throughout this presentation, I will address both the good and the bad news…

The Boomer Imperative...

Boomers. There are a lot of them.

One-third of the American population. They were born at the rate of 4 million per year for 18 years. They are middle aged, more than 10,000 are turning 50 each day, and Boomers are in, or will soon be entering, the wealth management stage of life, which makes them a prime target for our industry now and for years to come.

They are wealthy...

Boomers are the wealthiest generation in history. They represent approximately 40 percent of every market segment of investable assets.

And getting wealthier...

Their numbers will triple in the next ten years. In short, they will dominate the wealth scene by that time.

And wealthier.

By 2017 they will receive the largest intergenerational wealth transfer in history, estimated at $3.5 to $5 trillion in today's dollars. More than 1.8 million estates valued over $1 million will change hands. Most of that will go to Boomers.

So the market is enormous and getting larger. It is difficult to ignore.

So what do they want?

First, they are different. They have a different attitude about wealth, and they want solutions different from what is available today. And their expectations are high.

The Boomer Effect is enormous.

Their movement through time is not unlike a snake swallowing a bowling ball. They have redefined every stage of life they entered. They invented rock and roll, free sex via the Pill, two wage earner families, SUVs and Minivans, now Botox injections and Viagra. With their market power, they have always gotten what they wanted.

Boomers are now entering the wealth management stage.

And, as I am sure each of you is experiencing, they are redefining the rules. We will have to adapt or forego the market.

They look at wealth differently.

We have designed our organizations and our offerings to cater to the previous generation – the veterans – who rose out of the Depression to fight World War II. They were more formal; they felt obliged to protect and save wealth; they were mostly driven by the fear of losing wealth as their parents had. They also hid the effects of wealth, appreciating the security of it rather than what it could possibly do for them.

Boomers on the other hand were raised in the Post-World War II prosperity and fought their war – Viet Nam. More casual, they are more interested in using wealth to improve their lives and the lives of those around them. They are more open with their wealth, more proud of it and more comfortable with it.

"I want to ex

Boomers, in fact, define wealth in terms of their lives.

They start with, "Am I okay? Am I accomplishing what I want to accomplish using my wealth?"

When the answer to this is "yes," they move to family and community. They ask, "Am I accomplishing my goals as they relate first to my family and then to my legacy within the community?" As they look at their life, wealth is an important facilitator and enabler.

To a Boomer, wealth is completely intertwined with life's events.

At each event, there are new opportunities and new problems. While these events have a financial center of gravity, wealth is only important in the context of one's life and what it can do to enhance life.

To the Boomer there are certain imperatives.

"First, deal with ME. I am living my life and I am a person first before I am a consumer."

"I want a full solution, but don't make it too complex because saving time and minimizing hassle are of prime importance to me. I don't want to work hard at doing or managing the deal. I want you to do most of the heavy lifting."

"It's also important that I get the highest quality. In this way, I can feel smart with it. Help me, and do it for me, but let me make the important decisions. I need to feel in control because I am in the best position to make my life decisions."

"And, it's all about relationships. I need to trust you."

The challenge: Delivering a totally new wealth experience.

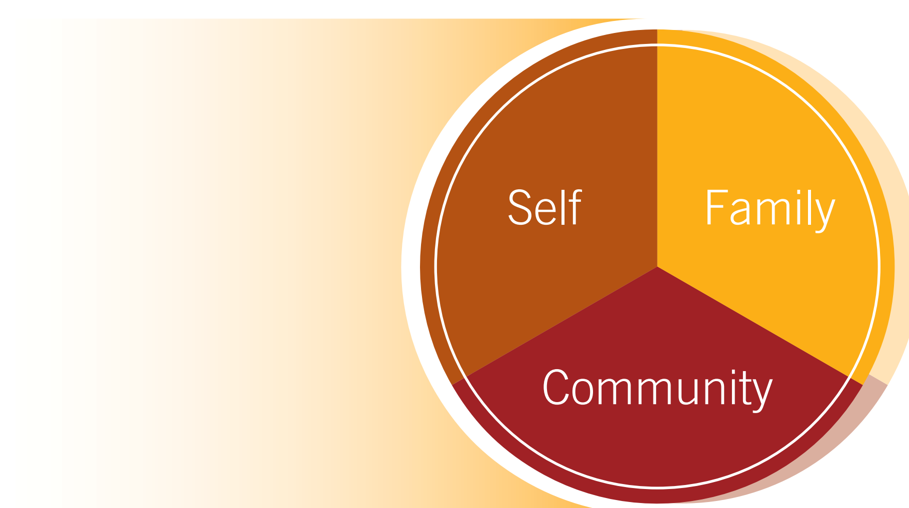
In short, the boomer is saying, "Give me an experience like no other – just like I have received during every previous phase of my life."

Lots of firms are getting it and doing very well. Here are three.

Starbucks® was started from scratch as a Boomer experience. It's casual, relaxed and friendly. It's also flexible, creative and innovative. You're in control. You can design your own personal product – a double mocha latte with soy-milk half caffeinated, half decaf topped with whipped non-dairy cream substitute and a sprinkle of cinnamon? No problem. The experience Starbucks delivers in its shops has become famous worldwide as a symbol of the new consumer.

Harley-Davidson® is an example of a brand which adapted and now is being embraced by Boomers. Harley-Davidson was a Boomer brand when Boomers were young and carefree. When Boomers reached the "post-kids" part of their

Life is the Boomer context for wealth



Self
- New Business
- Enhanced Lifestyle
- Income Change
- Career Change
- Retirement
- Increased Health Care

Family
- Extended Family Support
- Special Needs Child
- Out of Work Sibling
- Child Career Support
- Child Education Support
- Long-Term Care

Community
- Charitable Contributions
- Establishing a Legacy Strategy
- Additional Charity Support

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perience life."

lives, they wanted to relive some of their earlier experiences. Harley-Davidson responded and rejuvenated its brand by making changes to its product to meet Boomer needs. Wider, softer seats, safer bikes and more upscale outlets were among some of the changes.

NetJets® is an example of the ultimate wealthy boomer service. NetJets is a fractional share private aircraft program. They are ready to deliver personal transportation via private jet aircraft with 8 hours notice to and from any location. When an owner (clients are called owners) calls NetJets to book a flight, everything about the flight, including catering and transportation upon landing, is handled by a personal, small, dedicated team of flight coordinators. It's the ultimate service. And compared to the airlines, the baggage and security hassles are non-existent. There are no schedules. It delivers a very personal, totally new experience.

There is a growing list of companies who have recently responded to the needs of Boomers. But they aren't comparable to financial services firms.

So let's look at another example a little deeper.

One health care services firm, the Mayo Clinic, has a lot of similarities between delivering body and mind wellness and delivering financial wellness. It's also in an industry in probably even more turmoil, if that is possible, than the financial services industry.

The health care industry has always been fragmented among a number of specialties. No matter what health problem you have or what symptoms you are experiencing, you will never get the same diagnosis and treatment between and among the specialties.

If you go to a surgeon, he or she is likely to recommend surgery as the preferred treatment. If you go to an internist, you may get a prescription. If you go to a psychiatrist, you will probably take a more mind-probing approach. And so on.

Even if you get properly diagnosed but it takes multiple specialists to treat you, they will not talk to one another. Even in the hospital.

So what's the answer?

Well, Mayo Clinic has a better model. When you visit Mayo Clinic, no matter what your symptoms are, they will do a full workup on you, sending you through three days of physical and mental tests. Then with that knowledge, the entire group of specialists gathers around a table to work out your diagnosis and treatment plan. And then they involve you and your family in the decision-making.

This is what Baby Boomers want.

First, Mayo Clinic's approach treats the individual as a unique entity. It's comprehensive, certainly. And while the 3 days of tests involve a large commitment, time and energy are saved later when you are not bounced among the specialists. The hassle factor is greatly reduced. The quality at Mayo Clinic is world-renowned and trust is created from the outset by focusing on the individual and family instead of the doctor, hospital or specialty. The important decisions are made by the individual and family and they feel completely in control.

So how does my Mayo Clinic example relate to the financial services industry? One way is in the area of specialists. We certainly have our share: tax accountants, estate planners, financial planners, mortgage bankers, personal bankers, lawyers, brokers, insurance agents—both life and casualty, investment providers and mutual funds.

It's not unlike health care. Go to a specialist and you'll get an answer to any problem couched in the products and services that specialty offers. And collaborate with each other? Forget it. Even within the same firm. Just like the health care industry, our industry is set up to let this happen; actually to promote it.

You may be thinking to yourself that it's tougher in investment-related businesses because of investment performance. Well, even if we can't beat the S&P 500 consistently, we can improve a lot of lives. Money is right up there with health in terms of importance in one's life.

If you want to win the Boomer, you will have to break out of our industry's mold, particularly if you want the same level of client satisfaction and loyalty that a firm like Mayo Clinic enjoys.

Remember, Boomers will get what they want. They always have. If you don't satisfy them, someone else will.

Certainly, some of your organizations are *talking the talk*. You are emphasizing life issues. You are wrapping life and wealth together, and you are stressing family and community.

That's good, but you'd better pay the promise off or you are just wasting money and will end up doing more harm than good.

"I don't want to work

As a segue, I'd like to talk a bit about a project SEI started working on about 5 years ago.

We decided that to really understand the Boomer and how to meet their needs successfully, we should get some of our own clients and learn firsthand. And we did. We have been serving about 100 Boomer high- and ultra-high-net-worth families for some time now and have had great success and have learned a lot. The rest of my remarks address what we think are some "best practices" we learned over the past few years. This is a work in progress. We are learning more each day, but one thing we are sure of is that we are on the right path.

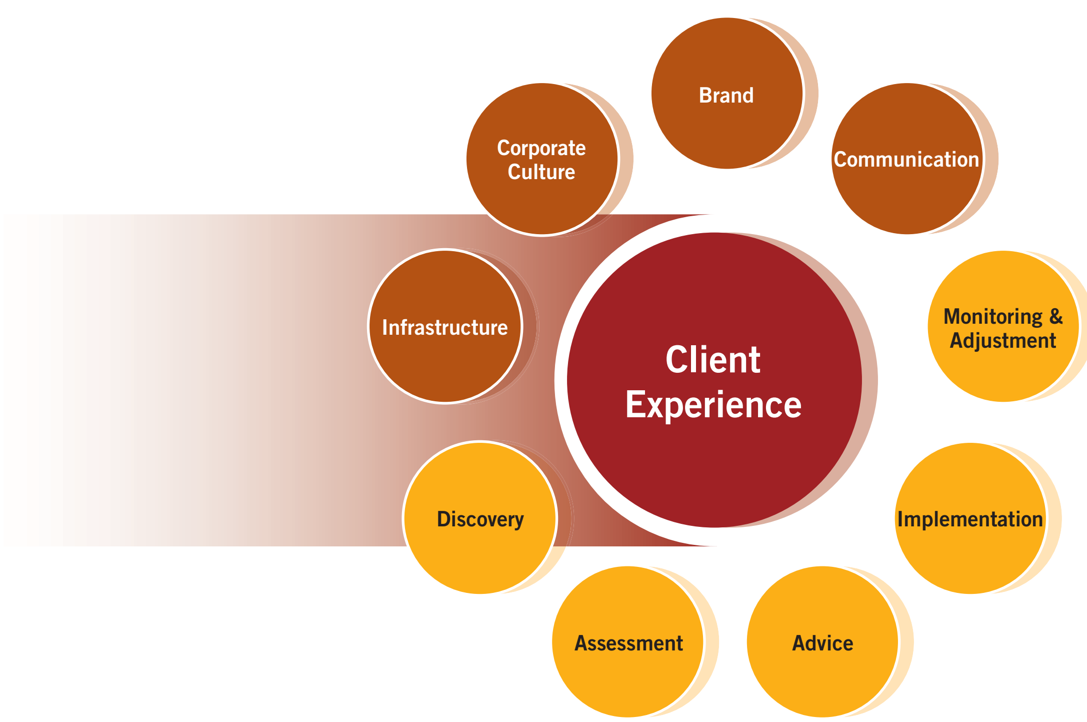
As I mentioned earlier, paying off the promise to the Boomer requires you to walk the walk.

And to do that it comes down to delivering a **new client experience** – one that matches up with Boomer imperatives.

After having communicated your promise, the first step in the client experience is **discovery** – here you must get to know each client's situation inside and out. Learn the tangible elements of your client, of course. We do a decent job of that today. But in addition and probably more important is learning their preferences, attitudes, feelings, fears, behaviors and what the client is trying to achieve: their goals, hopes and dreams. These relatively intangible goals should drive the process with the client; you must keep coming back to them again and again.

The next step is to embrace life and wealth advice as the most important aspect of the value you are adding. Base the advice on an **assessment** made with the knowledge gained from discovery. Just like Mayo Clinic, make sure all specialties are represented at the virtual table when you are determining a course of action. Not all of these experts need be in your firm.

Make sure you **advise** clients on what is best for them, not what's best for you. Stop selling products and services – instead concentrate on establishing a trusted relationship. It's difficult to trust someone who pushes their in-house products all the time. Position yourself as a trusted agent and integrator rather than



Infrastructure

Resources to facilitate delivery of the solutions.

- Organization
- Processes
- Technology
- People

Discovery

Determine life's intentions, goals & vision.

- Discover the tangibles.
- Discover the intangibles.
- Let the intangibles drive the process.

hard at managing it."

a product provider. Starting with the client's life goals, rationalize your products and services based on how they help your client achieve his or her goals. This is very difficult but absolutely necessary.

Let me comment on a potential pitfall here. When we first employed a discovery process like the one I am recommending, we were concerned that we would get in over our heads in some non-financial areas. So in the beginning, we were fearful of discussing at depth some of life's most common problems. It didn't take long to realize that we had to talk about them but we didn't have to hold ourselves up as experts in all areas. We just had to help guide and provide support through the problem. For instance if you avoid a divorce, an addiction problem, or a ne'er-do-well child, you will not be there when the attention turns, as it always does, to what it means to their wealth.

The big difference in the **implementation** when you deliver your products and services to the Boomer market is that you will have to field a much broader offering than you do today. You cannot stop with financial products alone. As I mentioned earlier, Boomers intertwine their lives with their wealth so closely that they expect and will get from someone, if not you, a more holistic solution to their life and wealth issues.

Just the other day, we asked one of our clients how they viewed us. They responded quickly, "As my life coach," which surprised us. We would have thought it was more like a life and wealth coach, but what it demonstrated was that the major emphasis in the Boomer's mind is on life, not wealth.

And since what you need to offer Boomers is so broad, you can't possibly do everything alone. You must align yourself with partners. The trick is to get your partners to customize their services to your specifications. Then, you can integrate them together to create the desired client experience.

As a corollary of this discussion, you must decide once and for all if you are a distributor or manufacturer. Many, if not most of you, are both right now. The two do not work well together because it is very difficult to give unbiased advice when recommending your own products and services. Even if you can, which is next to impossible, you will not be perceived as unbiased by your clients. The best strategy when you have both manufacturing and distribution businesses under one roof is to separate them. Let the manufacturing business distribute outside of your distribution business and let your distribution business be completely free not to use your manufactured products. This is particularly true of investment products but is also true of other financial products. The chasm between manufacturing and distribution has begun and will get wider as time goes on.

Turning to the **infrastructure**, there are a couple of important points. First, infrastructure can seldom make it happen but it sure can get in the way. Therefore, it's best to concentrate on removing obstacles. Second, when we consider infrastructure, we too often try to save costs. Costs can be saved, but the number one job is to get the infrastructure to enable and facilitate delivering the client experience you desire. Everything should come second to that.

Corporate Culture

How you conduct business.
- Put the client first…really first!
- Match the Boomer culture.

Brand

The end result of who you are to your clients.
- Your brand is defined by everything you do.
- Advertising is not necessary in all cases.
- Installed client base can be a problem.
- Get on with the new anyway.

Communication

Promising the Promise.
- Relate to your clients.
- Set yourself apart – be creative!

Assessment & Advice

Identify the risks, challenges & trade-offs.
Recommend and frame decision-making.
- Do what's best for the client, not for you.
- Stop selling products and services.
- Build trusted relationships.
- Rationalize your products and services based on client's life goals.

Implementation

Get it done – deliver integrated products & services.
- Broaden your offering.
- Fit into holistic life and wealth solution.
- Life coach?
- You cannot provide it all; you need partners.
- You provide the client experience.

Monitoring & Adjustment

Provide lifetime reassessment and support.
- Establish a process.
- Make changes in accordance with your clients' lives.

"I am a person first."

Your organization is usually in conflict with holistically caring for a client. Silos make that impossible. If you are really serious about providing a completely new holistic client experience, you will have to get rid of any organizational silos. A very, very difficult job, I might add. Our entire industry is in silos.

Also, watch your compensation plans. They can be incenting people to do the wrong thing. For instance, Mayo Clinic pays their surgeons a salary plus a bonus. No part of their pay is tied to the number of surgeries they perform.

Your processes.

The most important thing here is to first align them to deliver the desired client experience and then do it consistently across a large client base. Most financial advisors will say, "I'm doing everything you say." But when we probe, they are doing it for a client or two at max, usually where the personal chemistry clicked and the client informally sought more holistic advice. It's different delivering an intimate client relationship over an entire client base. For this you need very well developed and communicated processes and technology.

Your people.

Most are engaged in yesterday's business. Many will not make the change from delivering a product or service to building relationships and delivering an experience. The more honed you can make your processes, the less specific expertise you need.

A by-product of dealing with Boomers is that eventually you will have to take on the very difficult job of changing your organization's **culture**. Serving Boomers successfully is not just about having a good phone response capability or having hotshot products or even having talented relationship people. The Boomer will have to interact with so many parts of your organization, the only way to make sure all parts pay off your promise is to deal with your culture.

Two suggestions.

First, put the client first...really first. Not a novel idea, but difficult to execute. It is a great way to sidestep a lot of the land mines involved with changing your culture.

It's easier to watch the big things but when it comes to culture, the little things matter a lot. What happens when you call any hospital in the country? You get a voice response…"If you are an attending physician, press 1…"; if you are a patient or client you have to wait through usually 3 or 4 more choices before you get to yours. What is the signal that is sent? Clients aren't important, doctors are. Call Mayo Clinic and you get the reverse. A little thing, but important. What about your organizations? I will pose it as a question – are you sending signals that clients aren't first?

Second, try to match the Boomer culture as Starbucks has done. Open, honest, friendly and casual are how they want to be treated. It is their own personality as individuals and as a group. If you mirror their culture, it will be easier to serve them.

The other overriding aspect of the change process is creating a Boomer **brand**. In the final analysis, your brand will be established by the sum of the parts we have discussed today. It's your DNA. You can promote yourself as something, but unless all parts of your organization pay that promise off, you will be found out for what you really are, and that will determine how you are positioned in people's minds.

Most everyone uses advertising as the main tool of brand awareness and creation. That's not necessary. Mayo Clinic, for instance, certainly has a well known brand, but has never done any advertising. They use a newsletter, which they sell, and word of mouth. That sure saves a lot of money. Also, your advertising never gets out ahead of your capabilities.

The last thing I want to say about building your brand is that many of you have a particularly difficult situation because you have an existing client base. This gives you two audiences to speak to and can even give you two processes to manage – a new one and an old one. My only comment is that it is best to get on with the new. The existing base will not be displaced by what you need to do to serve the Boomer and some existing clients might enjoy the new approach. At any rate, the larger risk is that you let the existing client base keep you from making the changes necessary to capture the lucrative Boomer market.

Having said that, let me try to summarize.

First, you face a tremendous opportunity. But it is not a situation where you will build the products and services and the market will come. The Boomers have always gotten their way and they will prevail here too. They have real market power and we need to heed what they say and how they behave. Also, make no bones about it, this is not where you have an existing franchise. You are going to have to hustle to catch the wave. Many are talking the talk but few if any are yet walking the walk. If you want to walk it, **you will have to put your clients' life issues in front of financial issues**. You will have to be sensitive to problems and issues you never dreamed of dealing with. And you will have to radically change your organizations. If you do, however, the payoff will be a rapidly growing business, loyal clients and the pride of helping to substantially improve your clients' lives.

Alfred P. West, Jr.
Chairman & CEO
SEI Investments

Alfred P. West, Jr. is Chairman and Chief Executive Officer of SEI Investments, the Oaks, Pennsylvania-based financial services company he founded in 1968.

SEI is a leading global provider of outsourced asset management and investment technology solutions that help corporations, banks, financial advisors, retirement plan sponsors and affluent families create and manage wealth.

From humble beginnings when it introduced its first trust system to bank trust departments in the early 1970s, SEI has grown to achieve record revenues of over $692 million in 2004.

Mr. West received his B.S. in Aerospace Engineering from the Georgia Institute of Technology, and an M.B.A. from The Wharton School of the University of Pennsylvania in 1966.

Mr. West is the Chairman of the Board of the SEI Center for Advanced Studies in Management at Wharton, a member of the Executive Committee of the World Affairs Council of Philadelphia and Chairman of the Washington-based American Business Conference.

Mr. West is a recipient of the Joseph P. Wharton Award, and was named Legend CEO by the Technology Council of Philadelphia in 1995.

In 2002, the Greater Philadelphia Venture Group presented Mr. West with the Raymond Rafferty Entrepreneurial Excellence Award which recognizes “an individual who has founded a successful venture-backed company and has greatly influenced a specific industry with pioneering ideas.”

About SEI

SEI Investments (NASDAQ:SEIC) is a leading global provider of asset management and investment technology solutions. The company's innovative solutions help corporations, financial institutions, financial advisors and affluent families create and manage wealth. As of the period ending March 31, 2005, through our subsidiaries and partnerships in which we have a significant interest, SEI administers $291.1 billion in mutual fund and pooled assets, manages $123.9 billion in assets and operates 22 offices in 12 countries. For more information, visit www.seic.com.

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1 Freedom Valley Drive Oaks, PA 19456 1 800 SEI 1005 www.seic.com