Subprime Debacle Incites Change Among Advisers, Clients

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The headline-grabbing subprime losses at some major financial institutions have set off a game of musical chairs among advisers and their ultra-high-net-worth clients.

"We're seeing a lot more résumés from people in wealth management," said Trey Reynolds, managing director of RSR Partners, an executive-search firm in Greenwich, Conn.

"Everybody went into a mode of hiring freezes or reductions, and any new hires had to be essential to the firms' business plans for '08," said Cornelia Kiley, managing director and co-head of asset and wealth management in the United States for New York-based executive-search firm Russell Reynolds Associates Inc.

Some advisers want to leave big financial conglomerates altogether, said Dan Seivert, chief executive and managing partner of Echelon Partners LLC in Manhattan Beach, Calif.

"There's been a meaningful pickup in the number of conversations between advisers and the service providers who help them go independent," he said.

Wealthy clients of firms that have been affected by the subprime debacle and other risk-related losses also are in play, according to industry sources.

"We've been hearing anecdotally that there's been a flight of clients away from platforms in the news," said Dan Ryan, New York-based principal of Heidrick & Struggles International Inc., an executive-search firm based in Chicago. "They appear to be moving toward trust firms that are perceived to be safer."

"There is no doubt that there is a level of unhappiness among some clients at the firms you've been reading about," said Jeff Spears, a veteran San Francisco-based wealth manager. "They're asking, 'What part of my money is really safe?' and are they in margin accounts or not?

"Clients are looking to move. The problem is, where do they go?" added Mr. Spears, who earlier this year started a San Francisco-based firm, Sanctuary Wealth LLC. "It could be a huge opportunity for staid trust companies. Northern Trust is getting unsolicited calls for big sums of money, I'm sure."

Chicago-based Northern Trust Corp. declined to comment.

Major Wall Street firms "didn't do enough homework and did not understand the nature" of the securities they were selling, said Robert Elliott, senior managing director for New York-based Bessemer Trust Co. NA.

Those institutions "will clearly be having significant layoffs that may reach into wealth management," he said, likening the steady flow of bad news to "Chinese water torture."

"The broader issue of credibility," Mr. Elliott added, is "going to be hard" on both advisers and clients.

"The question is whether clients will want to be there," he said. "And if clients don't like the quality of their service, then advisers won't be very comfortable."

Predictably, wealth management firms not affected by the recent wave of financial misfortune are jumping at the chance to hire dissatisfied advisers — and clients.

"Firms that have not been significantly hit are trying to pick off teams," Ms. Kiley said. "[Teams] that you couldn't wriggle loose 12 to 18 months ago are suddenly having conversations. They're worried about their ability to drive new business, and that's their incentive."

"Good advisers are highly in demand, and they will go where they can grow their book of business,"agreed Alois Pirker, senior analyst for Boston-based Aite Group LLC. "If there's less money coming in a firm, that's definitely a challenge."

Daniel Seivert

Managing Director

dseivert@echelon-group.com