SUCCESSION PLANNING: HOW TO PASS THE BATON

With a generation of independent asset managers approaching retirement and with mergers and restructurings sweeping through the industry, ensuring a smooth transition between advisers has become a pressing issue. Here five leading players reveal how they approach succession planning

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Business has changed since the financial crisis for independent asset managers in Switzerland.

New rules and regulations regarding money laundering, tax evasion and compliance have made business more difficult and added a whole layer of bureaucracy.

The baby boomers are nearing retirement age, and client advisers are searching for ways to hand over to the next generation. There is pressure to either operate in somewhat larger units and companies to remain credible, or to outsource certain functions such as compliance, investment research, IT and so on.

Structural changes have become necessary. There are several different models of succession planning.

Some advisers are merging their companies and are staying on board for a number of years, in some instances well into their 70s if they enjoy their work and remain fit. They don't have to worry about operational issues any longer.

Some advisers are selling their business to banks. Others are selling their companies to other independent asset managers. They will stay on the board to help in the transition phase and then retire fully.

Clients are usually prepared well in advance to make sure the transition phase is smooth.

Trust is an important issue. The client contact and relationship and the culture at the independent asset manager are not things that should be overlooked. Private banking, client advisory and financial consulting are people-oriented businesses. The more time you have in a transition period to hand over the client the better. A year or two is a minimum requirement.

The optimal solution is to have the senior client adviser work side-by-side for several years with the junior colleague who will eventually replace him or her. There is no one solution that fits all independent asset managers. Client relationships are very valuable, fragile and important.

The client originally wanted an individual service rather than the 'big name' of a bank. For that reason, merging two independent asset managers is very different to merging the private banking divisions of two big banks.

DANIEL ZURBRUEGG, CFA
BFI Infinity
Zurich

BFI Infinity is the result of a merger of two smaller wealth managers. We completed this transaction last year in order to prepare our company for the future and position ourselves in such a way that we can take advantage of the ongoing consolidation among private banks and wealth managers.

We offer a wealth management platform where individual relationship managers and small independent managers can plug into an existing company that offers wealth management expertise as well as help in areas such as administration and compliance.

We believe this offers entrepreneurially minded professionals a very attractive setup that allows them to focus on what they are best at: providing high-quality wealth management services to their clients.

With growing regulatory and administrative burdens in our industry, it is becoming increasingly difficult to look after clients and investments and to develop the business.

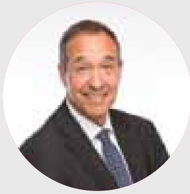
The costs that are being incurred by additional regulations and administrative bureaucracy are huge. This is probably the single most important problem that relationship managers face today. It is interesting to note that this is not necessarily a question of size, but more the way these firms are structured and operated.

In terms of succession planning, our approach is quite clear: the client advisers should in theory not change, but only the 'backbone'. This is only possible if a handover takes place over one or two years (or even more), always including the original relationship managers. We understand these points and therefore offer a lot of flexibility on our platform to implement this. Most importantly, we understand the importance of time and trust.

We totally believe in the future of Swiss banking and are convinced that Switzerland is still the number one place for global investors looking to get high-quality investment advice as well as wealth protection in terms of political stability, legal security and currency stability.

However, to fully leverage the strengths of our industry and country, we need to make sure we focus on our clients and investments and not waste time and energy on bureaucracy.

It's all about being competitive and having confidence in what we can offer to our clients around the world.



MARCEL DOUSSE
Boccard & Partenaires
Fribourg

At Boccard & Partenaires, we are lucky enough to have wealth managers aged from 41 to 62. Transitions are well planned, with the existing older wealth manager progressively handing over responsibilities to a new adviser, giving them time to develop a trusted relationship with clients.

Our company has a legacy of successful handovers, with the Boccard and Mueller families having passed on their businesses over three and two generations respectively before deciding to merge.

A successful client transition typically requires two to three years, and it is important to take into account affinities between individuals. The retiring wealth manager will slowly reduce his or her workload, while maintaining a close relationship with clients to provide all the support they need during the process.

In addition, at Boccard & Partenaires, our teams benefit from great synergies, and our clients usually know the advisers in both our Neuchâtel and Fribourg offices, so they always have a privileged partner to talk to in all circumstances.

Our clients choose Boccard & Partenaires because they agree with our conservative investment philosophy. They trust us because they know we will select the products we have the strongest conviction in, and they know we avoid speculation. All our wealth managers share these values as well. I believe this is the guarantee of our legacy: clients and wealth managers sharing the same vision.

ULRICH VOLLMER
Your Wealth
Zollikon

Our company has been in talks over the past few years regarding potential co-operations or even M&As, and still is. The trick is to find the right balance between meeting regulatory requirements and making sensible business decisions on issues such as expansion, recruitment and succession planning, which makes it difficult.

For small and medium-sized entities like us, it is important that in addition to the business needs, above all, the personal touch must fit. The challenge is to find the right people that fit the company and have the necessary know-how and spirit to be accepted by our clients. The requirements are different than in bigger entities. Individuality, flexibility, personality and integrity are the main drivers of our business.

Our idea is to play an active role, have a straightforward strategy and be open-minded. Our aim is not to be bought up, but to develop and grow our own business on a sustainable basis.

The impression we have and our own experiences indicate that decision making processes in the independent asset management business in Switzerland tend to be quite stiff and determined by a ‘wait and see’ strategy, both on regulatory requirements and succession planning.

Banks are probably benefiting from that, especially if the older independent managers are going out of business without a solution for their clients.

JACQUES BALLY
Bally Capital Advisors
Saint-Prex

In our increasingly regulation-driven environment, it is fundamental for us as wealth managers to plan ahead to avoid internal succession issues.

One of the most important requirements from the regulator is to ensure that a wealth management company can pursue its activities in the best conditions and protect the interests of its clients in the case of retirement, death or the incapacity of any of its staff.

As a family business founded 15 years ago, succession is at the heart of our firm. The second generation has been working in the company for seven years now, learning about our different activities bit by bit. Both long-term issues and day-to-day operations are already discussed informally within the family, giving a chance for the new generation to integrate progressively into the company.

In addition, this new generation is beginning to bring in new clients to the company, with different needs and another vision of wealth management, pushing us to update our own offering. This allows a gradual transition to take place, with our successors learning the ropes in all the different services provided by the company.

We’ve had several successful client handovers between advisers in the past – a process that normally takes place progressively over three years. However, a generational change takes longer and requires the business to adapt its organisation and processes to fit with a new management style – one that is suitable for the younger generation.