// NextGen Investing

Creating an Industry Dialogue about the Future of Financial Advice

Mitchell D. Eichen
Founder and CEO

Mark Pearlman
Executive Vice President, Business Strategy

July 2011
Discussion Paper

New York • New Jersey
973.206.7100
www.mdegroup.com

(Intentionally blank)

// Table of Contents

4 // Executive Summary

8 // Intent

Creating a Dialogue

8 // Approach

The Value of a Systematic Process

- *Industry Landscape Analysis*
- *Strategy Consideration and Vision*
- *Execution Planning and ROI*

11 // Industry Landscape

Porter Analysis

- *Buyers (Clients)*
- *Industry*
- *Substitutes*
- *Suppliers*
- *New Entrants*
- *Complementors*

19 // Strategy Conclusions

Navigating the Future

- *Service Offering*
- *Client Acquisition and Retention*
- *Delivery and Distribution*
- *Organization*
- *Summary of Strategies*

26 // Strategy in Action

The MDE Group: Strategy in Action

- *Increased Investor Concern About Risk and Portfolio Performance*
- *Heightened Competition for Wealth Management Services*
- *Further Industry Consolidation*

30 // Author Bios

31 // Sources & Resources

The MDE Group is a pioneering wealth and asset management firm focused on providing innovative and practical financial services to high-net-worth individuals, families, and other advisors. Since 1987 we have strived to define Wealth Leadership® through our client-centric approach, strong history, and experienced team. Our Risk 3.0 Investment Solutions, which serve as core portfolio strategies designed for the new market realities, are available to high-net-worth and institutional investors.

To further discuss the ideas outlined in this paper, please contact Mark Pearlman at mpearlman@mdegroup.com.

The MDE Group
WEALTH LEADERSHIP
New York • New Jersey
973.206.7100
www.mdegroup.com

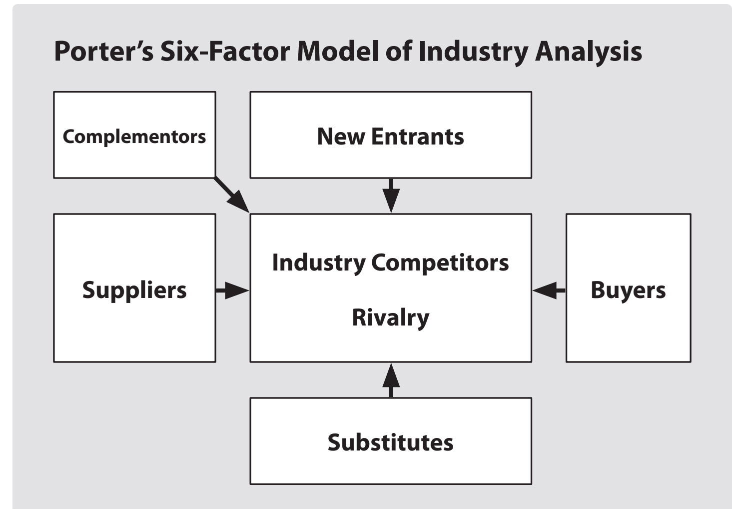
INTENT: Creating a Dialogue

The purpose of this paper is to offer a formalized structure to examine our business and in the process foster a discussion with likeminded wealth management firms. We seek to outline where we think the industry may be headed and highlight the issues we see as critical. Our hope is to facilitate a productive dialogue that includes sharing best practices and discussing how firms can adapt and build their competitive advantage.

APPROACH: The Value of a Systematic Process

Over the coming years, advisors will face an increasingly complex and challenging marketplace. In order to improve – or even maintain – their competitive position, firms of all sizes should consider embracing a more organized and institutionalized approach to business strategy.

The process begins with an assessment of the industry landscape. For this aspect of the paper we utilized an analytical technique know as the "Porter Analysis," which is a standard framework frequently used for making a qualitative evaluation of a firm's strategic position.



STRATEGY DISCUSSION: Navigating the Future

Once a clearer understanding of industry dynamics is achieved, it then becomes easier to identify strategic opportunities. Based on the Porter framework, we developed a variety of specific strategy ideas within the following core areas: Service Offering, Client Acquisition and Retention, Delivery and Distribution, and Organization.

1. Service Offering

Financial advisors should consider increasing their focus on the client experience, offering comprehensive, customized wealth management services as well as creating an overall customer offering that proactively addresses client concerns.

Strategy Focus	Tactics
Better address individual investor objectives and needs	Provide risk-sensitive portfolio solutions with enhanced consistency/predictability Match solutions with investor needs and manage expectations Offer complete family solutions and include the next generation in the process
Respond to issues of trust	Embrace greater transparency Educate clients and clarify investment materials Utilize technology to improve the quality and timeliness of communication
Reassess and Refine Investment and Portfolio Techniques	Systematically review techniques with focus on the benefit to the investor Seek liquidity, transparency and investor-centric delivery Reassess approaches to measuring and reporting performance Make the portfolio responsive to market an life changes Develop multiple, distinctive, in-house investment approaches

The MDE Group
WEALTH LEADERSHIP
New York • New Jersey
973.206.7100
www.mdegroup.com

STRATEGY DISCUSSION: Navigating the Future (Cont.)

2. Client Acquisition & Retention

Advisors can have a flawless service offering, but attracting and satisfying clients relies on an organized approach to communicating the value proposition and differentiating the offering. This is a process that extends from the initial contact with a prospect through the lifetime of a client.

Strategy Focus	Tactics
Improve Marketing and Communications	Define the terms for the buyer (signal value) and control the framework for discussion Focus on the benefits to the investor and use clear, distinctive language
Create Core Narratives	Position the firm in core areas such as a lead personality, firm history, or portfolio approach and build off the strengths of the existing brand Employ targeted narratives to highlight various aspects of firm expertise and raise the firm's profile as a thought leader Narratives can be long-term/strategic or seasonal/timely
Develop More Nuanced Investor Personas	Create detailed portraits of various types of potential investors in order to gain insight into their behavior patterns, goals, skills, and attitudes Design the client experience with specific personas in mind
Segment Efforts	Target segments can be broad-based or defined by narrower affinity groups Segments can be targeted with an existing or separate brand Segmentation option: Group investors by target risk tolerance or market outlook Segmentation option: Target investors who are going through transitional periods
Organize the Engagement Process	Develop a systematic program of engagement that covers all stages of the prospect process Train representatives to personally connect with prospects and respond to concerns Materials and communication style should be appropriate for each stage and consistent across touchpoints
Avoid the Low Cost Pricing Trap	The cost of service is only a one element in the satisfaction equation Competing on price while offering the same level of service may not be a viable long-term strategy for advisors

3. Delivery and Distribution

The unique nature of the financial services industry (fragmented, scalable, recurring fees) opens up a range of opportunities for advisors to expand their businesses through creative delivery and distribution. These opportunities are created by synergistic consolidation on the one hand and the leveraging of existing resources on the other.

Strategy Focus	Tactics
Offer Multiple Levels of Service	Leverage components of an advisor's offering and deliver it to segments otherwise outside the advisor's traditional market Allows for expansion into new markets (e.g. low-fee/low-service model) without damaging the existing business Can create synergies between businesses

The MDE Group
WEALTH LEADERSHIP
New York • New Jersey
973.206.7100
www.mdegroup.com

STRATEGY DISCUSSION: Navigating the Future (Cont.)

Leverage Non-Investment Distribution Networks	Offer solutions through other types of advisors (CPAs, lawyers, etc.) using a distributor or referral model
Focus Regionally	Position the firm as the "hometown advisors" and seek prominence and market share locally Acquire or merge with neighboring firms and take advantage of consolidation synergies

4. Organization

Advisors are beset on all sides by organizational pressures that threaten to diminish their competitiveness and thereby reduce the profitability of their businesses. Adapting to new regulation, keeping up with technological innovation, and attracting quality advisors from a limited talent pool are just a few of the costs to compete and serve new business. Navigating these challenges requires developing and implementing strategies to counter the offerings of better-funded and larger RIAs as well as substitute offerings from other financial institutions that may appear to offer similar or better value.

Strategy Focus	Tactics
Manage the Lifecycle of the Firm	Avoid plateauing by encouraging initiative and rewarding performance Foster a marketing-to-sales-to-service business
Assess Enterprise Strategy Options	Consider enterprise strategy before initiating functional strategies Options include going it alone with the same level of investment, unilaterally investing, or seeking to merge or be acquired
Embrace Adaptability	Prepare for an environment of uncertainty and seek to take advantage of change Proactively direct resources toward delivering a valuable service with a competitive advantage Develop competency in learning to do new things

ABOUT THE AUTHORS

Mitchell Eichen is the founder and CEO of The MDE Group, an independent and nationally recognized wealth management firm with $1.3 billion in assets under management. Over the past 23 years, Mitch has lead The MDE Group with a strategic vision of innovation - first in the field of holistic wealth management and executive counseling, and more recently in developing a new paradigm of investment risk and return called Risk 3.0™.

Mark Pearlman is responsible for overall business strategy, including new initiatives, marketing and media, community involvement and alliances. Mark is a former senior business development and media executive, as well as private equity investor, with extensive experience in launching and growing businesses. Mark joined The MDE Group in order to develop investment solutions designed for the new realities of risk facing the financial world. The result of this partnership is Risk 3.0™, a new paradigm of investment risk and return and a platform of MDE investment solutions.

A Note on Predicting the Future

Throughout history humanity has been fascinated with predicting the future. Practitioners who are perceived to have insight often gain notoriety and a following in their respective fields – from the seer Nostradamus and the science fiction writer Jules Verne to modern futurists such as Alvin Toffler.

But what can we make of all of this intellectual effort and resources? Yogi Berra, baseball hall of famer and witty commentator, probably got closest with his comments:
"It's tough to make predictions, especially about the future."
And, "The future ain't what it use to be."

We have more manageable expectations for this study. We are seeking to create a framework for analyzing trends and fostering a discussion with our colleagues about the direction of our business. We leave the high profile predictions to others.

// Intent

The MDE Group
WEALTH LEADERSHIP

New York • New Jersey
973.206.7100
www.mdegroup.com

CREATING A DIALOGUE

In the business of providing financial advice, nothing is static. Investment techniques, investor preferences, market performance, technology, regulation, business standards and numerous other variables continually shift and re-shift in relation to one another, pushing the industry in new directions.

Amid such a dynamic landscape, we seek to better understand how to adapt and advance – both in terms of improving our client offering and creating a sustainable competitive edge for our business. We believe other financial advisors share these goals.

The purpose of this paper is to offer a formalized structure to examine our business and in the process foster a discussion with likeminded wealth management firms. We seek to outline where we think the industry may be headed and highlight the issues we see as critical. Our hope is to facilitate a productive dialogue that includes sharing best practices and discussing how firms can adapt and build their competitive advantage.

What will the next generation of successful, independent advisory firms look like? What trends and business issues do we need to consider? How can we better envision new strategies, systematically execute initiatives, and monitor progress? What are best practices we can share?

By exploring the dynamics of the industry and our individual businesses, it is possible to develop approaches to these questions. We all strive to satisfy clients, differentiate our firms, create a fulfilling work environment for ourselves and our employees, stay on top of industry innovation, preserve and improve margins, and navigate the competition for new clients. Only through systematic analysis and organized planning can we discover strengths and weaknesses, address areas of opportunity and peril, and better prepare to succeed.

In this paper we apply a logical framework to the dynamic forces shaping the future of financial advice. We hope this framework will lead to a discussion among industry participants of best practices including:

- Differentiating your firm
- Staying current with industry innovation
- Navigating the competition for new clients
- Educating less-trusting, post-recession investors
- Preserving and improving margins
- Attracting new talent
- Implementing a succession plan
- Preparing for increased regulation

// Approach

THE VALUE OF A SYSTEMATIC PROCESS

The RIA industry is fragmented, with more than 13,000 independent wealth managers.[1] Many of these firms are controlled by one or two principals and have relied on entrepreneurial rather than institutional approaches to get where they are today.

Over the coming years, advisors will face an increasingly complex and challenging marketplace. In order to improve – or even maintain – their competitive position, firms of all sizes should consider embracing a more organized and institutionalized approach to business strategy.

In order to improve – or even maintain – their competitive position, firms of all sizes should consider embracing a more organized and institutionalized approach to business strategy.

To that end, rather than focus on a narrow aspect of the business or any one specific trend, in this paper we introduce a process that allows advisors to systematically evaluate the industry landscape and their own businesses. We also offer a framework for identifying alternative business strategies and thinking about how to implement these strategies across the firm and within specific functional areas.

1. "Industry Trends Affecting RIAs," RIA Database, March 25, 2011

The MDE Group
WEALTH LEADERSHIP
New York • New Jersey
973.206.7100
www.mdegroup.com

In essence, we outline a systematic approach to industry analysis, strategy formulation, tactical approach, organizational impact assessment, and functional execution. Viewed from such a 20,000-foot perspective this statement may sound antithetical to how many advisors started and built their firms, but systematically developing strategy and execution plans requires a similar combination of imagination and creativity as well as organized thinking.

Industry Landscape Analysis

The process begins with an assessment of the industry landscape. For this aspect of the paper we utilized an analytical technique know as the "Porter Analysis," which was developed by Harvard Business School professor Michael E. Porter in 1979. Porter's six-factor model is a standard framework for industry analysis and is frequently used for making a qualitative evaluation of a firm's strategic position.

Porter's approach seeks to understand how certain industries will operate in the near future by examining the broad forces shaping the competitive landscape. These forces are divided into six categories: four forces from 'horizontal' competition: the threat of industry rivals, the threat of substitute products, the threat of new entrants, and the impact of complementary businesses; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers.

Porter's approach seeks to understand how certain industries will operate in the near future by examining the forces shaping the competitive landscape.

For our discussion, we define these categories as:

Industry Competitors: Other RIAs – typically fee-based providers of comprehensive wealth management to high-net-worth (HNW) individuals. This includes RIAs owned by consolidators.

Buyers: Individual investors with $1M+ in investable assets. We did not consider corporate or institutional clients in the analysis.

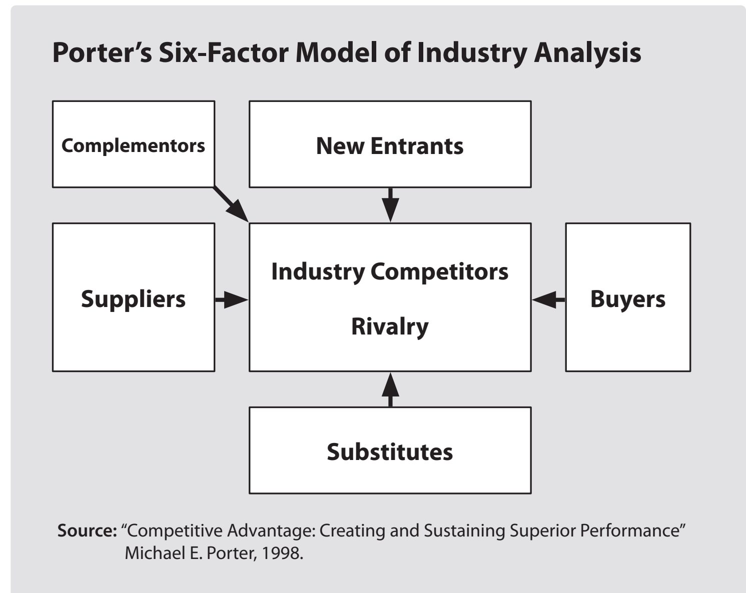
Substitutes: Other financial service providers including wirehouses, private banks, Wall Street firms, and financial supermarkets – anyone other than an independent RIA who provides financial services.

Suppliers: Custody and trading platforms, turnkey asset management platforms (TAMPs), asset management companies, and other suppliers of administrative support including compliance and technology providers.

New Entrants: Although there may be other new entrants than those we discuss, in this paper we focus on breakaway brokers, technology-based solutions, and certain suppliers.

Complementors: Advisors providing some form of finance-related personal service such as accounting, legal counsel and estate planning, risk management and insurance, and life management.

Porter's Six-Factor Model of Industry Analysis



Source: "Competitive Advantage: Creating and Sustaining Superior Performance" Michael E. Porter, 1998.

For each category we examine current trends and attributes, including strengths, weaknesses and incentives. By articulating the characteristics of the marketplace in this structured manner, we begin to see more clearly how categories are likely to interact. We can then determine where there are opportunities for differentiation and where there are barriers to success.

By articulating the characteristics of the marketplace in this structured manner, we can then determine where there are opportunities for differentiation.

The MDE Group
WEALTH LEADERSHIP

New York • New Jersey
973.206.7100
www.mdegroup.com

Strategy Consideration and Vision

The end result of the Porter analysis is a clearer view of industry dynamics with which to consider strategy options. Given the competitive landscape, what strategies are more promising? Which are most appropriate for a particular firm? This paper presents a variety of strategy options that result from our analysis. Not all will be appropriate for every firm, and other advisors might draw different conclusions.

Considering strategy options sets the stage for creating a vision. How does a firm combine various strategies to build a lasting competitive advantage? Firms may be at different stages of their lifecycle, but all advisors should consider thinking about where they want to be on different time frames, whether three, five, or 10+ years from now. To do this requires thinking not about what exists, but what might exist. Think visually. Think creatively. Re-envisioning and planning for the future can be a very motivating and energizing experience similar to the early days of starting a business.

Considering strategy options sets the stage for creating a vision. How does a firm combine various strategies to build a lasting competitive advantage?

Execution Planning and ROI

After strategy consideration and vision formation comes execution planning. How do you draw a line to get from point A to point B? On the most basic, practical level this means that advisors need to have a clear idea of where they are starting from and where they would like to go. For each advisor the best path from A to B may not necessarily be a straight line, but the path must be logical and pre-planned, with concrete intermediary steps and clear and measurable milestones along the way. In addition, advisors have to consider what is involved for the firm across all different functions. What sequence of actions are required? What working capital? What staffing requirements? ? What outside resources and expertise?

For each advisor the best path from A to B may not necessarily be a straight line, but the path must be logical and pre-planned, with concrete intermediary steps and clear and measurable milestones along the way.

In the end, strategy formation, vision creation, and execution planning are about return on investment. What ROI do advisors seek? This question goes beyond short-term profits and the long-term enterprise value of the business – psychological and emotional aspects are also important to consider. Advisors dedicate their time and money as well as their reputations to their businesses. If a certain strategy means dreading work every day or creates uncomfortable associations, it may not be the right path to follow. Any assessment must consider what success means to the advisor personally as well as for the firm's clients and employees, including what risks must be taken to achieve those returns. If management's vision is not one in which employees and clients also feel they would like to participate, any plans may ultimately fail due to lack of employee or client buy-in.

Once the strategic groundwork has been laid and a project begun, it is essential to track progress in an organized manner. The value of the planning process is reduced if advisors cannot ascertain whether a strategy has been executed according to plan or whether it produced the desired results. An institutionalized and systematic approach to business strategy should extend through all levels of the strategic process.

Approach Summary

This paper does not attempt to detail every strategy option available to advisors, but we do discuss a process for developing and implementing an organized business strategy:

1. **Assess the Industry:** How can we look at the marketplace and determine our role and place in it?

2. **Consider Strategies Options:** Where are there opportunities for alternative strategies and which make the most sense for a firm's unique situation?

3. **Create a Vision:** How will the firm be transformed by the implementation of these strategies? What is the ultimate goal?

4. **Determine the Execution Process and Evaluate Risk/Return:** How can advisors effectively execute targeted strategies? How are the costs and expected returns measured? What are the overall requirements necessary to achieve the desired outcome?

5. **Monitor Progress and Make it Happen:** How can advisors confirm that strategy initiatives are delivering desired results?

The MDE Group
WEALTH LEADERSHIP

New York • New Jersey
973.206.7100
www.mdegroup.com

PORTER ANALYSIS

The following are some of the study's observations regarding the forces that affect the advisory business. The different categories of forces – Buyer, Industry, Substitutes, Suppliers, New Entrants, and Complementors – combine to form an integrated portrait of industry dynamics. This portrait is the base from which we are able to identify opportunities and formulate alternative strategy options.

Buyers (Clients)

Clients are seeking real solutions to their family's financial issues and stewardship. In this process, firms provide both emotional as well as tangible value through a wealth management offering. How this value is perceived is influenced by a variety of factors including demographics, recent events, past advisory experiences, and current expectations. In the case of demographics, firms should understand their targeted segments, adjust their positioning, and offer appropriate services at a competitive price point.

How value is perceived by clients is influenced by a variety of factors including demographics, recent events, past advisory experiences, and current expectations.

1. Demographics

A. Generational Changes

As the saying goes, "People resemble their times more than they resemble their parents." While the fundamentals of good financial planning stay true across time, the priorities of investors evolve decade-by-decade. Different generations show different preferences in terms of investment approach, goals, decision-making process, risk-return tradeoff, etc. Even the definition of "service" changes across generations.

Different generations show different preferences in terms of investment approach, goals, decision-making process, risk-return tradeoff, etc.

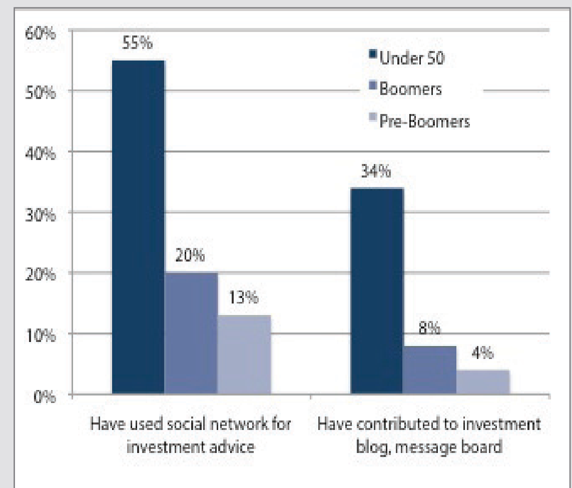
i. Pre-boomers (65+) were raised in a simpler, more frugal environment. Many still carry Depression-era mentalities with them, and they have tended to save more in order to leave an inheritance for their children.

ii. Baby Boomers (45-65) enjoyed an era where incomes grew rapidly, living standards improved, and access to information increased exponentially. While many baby boomers were better established financially than their parents, their lifestyle demands more money in retirement. Frequently there is a gap between their expectations and what their assets can deliver.

iii. Generation X (30-45) are often in situations with significant financial pressure. While they still have 20+ years to retirement, they may have large financial obligations in the form of debt (credit card, mortgage) or education costs for their children, and one income earner might have to take time out of the workforce. Gen Xers may have had several jobs by the time they reach 45, so it may make sense to consolidate 401k's.

iv. Generation Y (15-30) may have learned to be savers rather than spenders due to the global financial crisis, but it is too early to tell. Fancy products are less important than information and delivery. If they want it, they want it instantly. And if they hear something is good – through their peers or another resources – it has the opportunity to rapidly gain acceptance among this group.

Age and Investment Advice



"We were surprised at the importance of a single factor—the investor's age—in determining key elements such as investor loyalty, pain points, and receptivity to new services."

Source: Cisco IBSG Research & Economics Practice, 2010

New York • New Jersey
973.206.7100
www.mdegroup.com

B. Gender Gap

Although women now hold more higher degrees than men, get married later, live longer and make up 37% of the North American HNW population (a higher percentage than any other region)[1], they still earn less, are less financially literate, and are more likely to find financial decisions stressful.[2] Partly as a result, women are more likely to seek out financial advice and prefer to learn about money in person or in groups as opposed to on their own. More focus is being placed on women as investors in the form of targeted programs, books and websites, but this is still a significantly underserved market.

C. Net Worth and Service Expectations

Another segmentation of HNW clients is by their net worth and contingent service expectations. While there are no clear cutoffs between investable asset levels, clients with higher net worths tend to expect additional service. Some investors are satisfied solely with investment recommendations, while others seek an entire portfolio strategy. Higher level, family office style services range from financial and tax planning to day-to-day financial management, which can include medical concierge services, bill payment, and other personal financial support. Clients of a certain asset level may be expecting a contingent service level and could be unsatisfied with a firm that cannot effectively provide those services.

Clients of a certain asset level may be expecting a contingent service level and could be unsatisfied with a firm that cannot efficiently provide those services.

2. Attitudes

A. Genuine Concerns Related to Retirement and Healthcare Costs

The financial crisis and subsequent economic slowdown combined with inflating medical expense and longer life spans has created deep concerns among retirees and pre-retirees as to whether they will outlive their assets. Uncertainty over the nature and quality of future government support worsens the problem. This class of investors seeks a regular income stream and as much certainty as possible.

B. Less Trusting

AIG, Lehman Brothers, Goldman Sachs, Bank of America, Madoff – the media is full of financial institutions that failed investors either by failing themselves or putting their own interests first, or both. Not surprisingly, investors now tend to be less trusting in general, regardless of the track record of the financial services provider.

Investors now tend to be less trusting in general, regardless of the track record of the financial services provider.

C. More Conservative and Sensitive to Risk

Investor's faith in the markets has been shaken by heightened volatility and a "Lost Decade" of near-zero point-to-point returns from 2000-2010. In tandem with (2A) and (2B), investors are less willing to take risk, often sitting disproportionately in cash or short-term investments despite the detrimental effect of this strategy on longer-term goals.

3. Decision-making

A. More Knowledgeable and Sophisticated

The information age combined with accessible online investing has lead to an increase in well-educated, curious investors. In part because investors are swamped by information and choice, they are more inclined to "look under the hood" of an investment or turn to third-party references in search of differentiation. An apparent lack of readily available information about a product or service is a red flag.

The Conservative Conundrum

"HNW clients have lived in recent years through both bull-market run-ups and staggering losses, so the breadth and depth of their concerns is hardly surprising.

Still, it will be a challenge for Firms and Advisors to develop a proposition that resonates in this environment—where HNWIs have clear life and investment goals but may be fearful of risking capital to generate returns to fund those goals."

Source: 2011 World Wealth Report, Merrill Lynch / Capgemini

1. 2011 World Wealth Report, Merrill Lynch / Capgemini, June 2011
2. Bernard, Tara Siegel. "Financial Advice by Women for Women." *The New York Times* April 23, 2010

The MDE Group
WEALTH LEADERSHIP

New York • New Jersey
973.206.7100
www.mdegroup.com

B. Evolving Measurement of Quality and Performance
Clients are often unsure both before and after their purchase of whether they made a good decision. When the market is going up and up, every decision appears wise, but during heightened volatility, the situation is less clear. Increased education and sophistication is a "double-edged" sword in that it can create doubt, and the media's unending flow of information can exacerbate the problem by hyping short-term expectations.

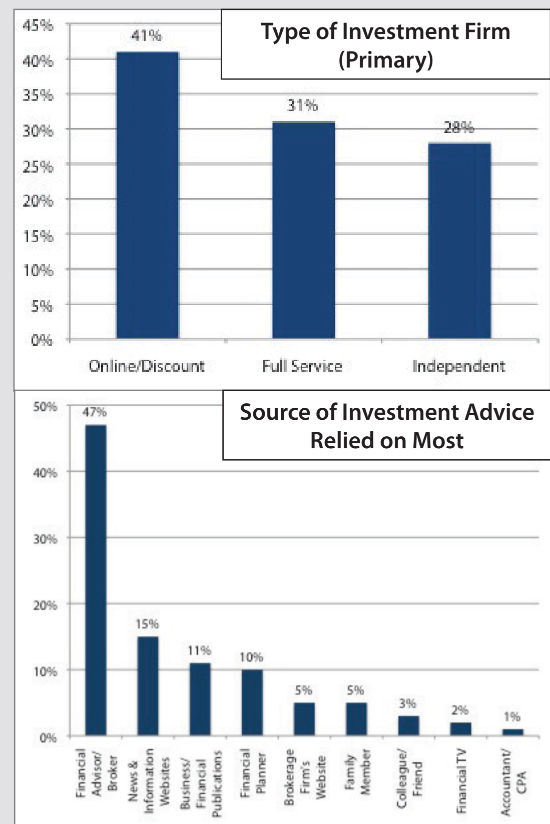
C. Comprehensive Solutions
The increased complexity of everything financial has lead many clients to seek comprehensive, integrated financial solutions – especially those solutions that address real/tangible assets in addition to financial ones. Some investors want it all taken care of in one place so they can focus on other areas of their lives. This service can be delivered directly by an advisor or with some level of automation.

D. DIY Platforms
More investors are using do-it-yourself (DIY) technology platforms to lower costs and increase their control, though a DIY approach may be less effective at higher asset levels.

E. The Satisfaction Challenge
Deep concerns about the future, abundant information and choice, distrust towards financial providers, and an up-and-down market make consistent client satisfaction a challenge. Cultural and technological barriers to moving money between service options have diminished, and more investors are using multiple advisors at once. Loyalty to any one advisor or service is weaker.

Complex Decision-making

"It's remarkable to see the high usage of online/discount firms. The greater availability and sophistication of online tools has made online investment transactions easier. More than half of the respondents invest this way, and 44% say they primarily use online/discount firms. ... Still, investors remain committed to their financial advisers or brokers as sources of personal investment advice, with websites in second place."



Source: 2010 Affluent Investor Report, Dow Jones

Note: This study included 57% affluent investors ($500,000-$1million investable) and 43% HNW investors ($1million+ investable)

Industry

Horizontal competition among established rivals in the industry is influence by market structure – which for RIAs is primarily characterized by high fragmentation and low concentration – as well as the segmentation strategies firms employ.

1. Market Structure

A. Concentration and Fragmentation
Concentration ratios are used to show the extent of market control of the largest firms in an industry. While the top independent RIAs manage $5 billion to $10 billion in assets each, that represents only a very small percentage of the total independent wealth management market of about $1.7 trillion. This suggests an extremely fragmented and competitive industry in which stronger players can gain market share. At the moment there are no truly dominant firms.

B. Consolidation
The fragmentation in the marketplace combined with the difficulty of organic growth, various cost pressures, and economies of scale incentivizes firms to consolidate. Many industry experts have forecast increased consolidation in the industry, and while mergers and acquisitions have dipped over the past few years from a high of 68 in 2007, the pace is again accelerating. Recently, more deals have been occurring between RIAs (rather than through banks or roll-up acquisitions), with many of the deals taking the form of partnerships that required little upfront cash to change hands.[1]

The fragmentation in the marketplace combined with the difficulty of organic growth, various cost pressures, and economies of scale incentivizes firms to consolidate.

1. Real Deals 2010: Definitive Information on Mergers and Acquisitions for Advisors, April 2011, Pershing/FA Insight

The MDE Group
WEALTH LEADERSHIP

New York • New Jersey
973.206.7100
www.mdegroup.com

C. Overcapacity and Switching Costs
Most firms have significant unused/available capacity that can easily be applied to new customers at low marginal cost – i.e. there is no fixed capacity for advisors within certain ranges: An advisor with *x* number of clients can usually take on one more. In addition, switching costs and associated complications continue to be reduced over time, suggesting that competition for new clients could escalate.

D. No Firms with High Corporate Stakes
Independent wealth managers control only a small portion of the sizable investment management market. With so much potential to "expand the pie" combined with low industry concentration, few firms feel they have to aggressively defend their turf against industry competitors. While firms are not always cooperative, they tend to avoid aggressively competing as can happen in more concentrated industries with less room to expand the market (e.g. Apple created a whole ad campaign around stealing customers from Microsoft.) As a result, the RIA industry is structured such that a joint marketing campaign highlighting the value of RIAs versus other financial institutions could be successful. This would be similar to the "Got Milk?" campaign in which milk producers joined in a common cause to expand milk consumption.

HNW Market Size (North America)

"North America had the largest absolute gain in wealth [in 2010], at $3.6 trillion, and the second-highest growth rate, at 10.2 percent. Its $38.2 trillion in AUM – nearly one-third of global wealth – made it the world's richest region."

$20.3 *AUM (in trillions) of North American millionaire households*

5.2M *Number of North American millionaire households*

Source: Global Wealth 2011, Boston Consulting Group

2. Competition

A. Segmentation
A typical method of analyzing market competition is to examine how firms segment in order to compete. The general categories that drive competition among wealth managers are service offering, client type, distribution channel, and geography.

Service Offering: This includes the primary attributes of an investment solution (ETF vs. mutual fund, active vs. passive, etc), portfolio approach (due diligence process, tactical asset decisions, etc), or financial planning offering (retirement focused, corporate benefits focused, etc). Other competitive service offering attributes are price – both the total cost and the form of the fee – and the type of performance targeted (e.g. does the solution seek to follow a certain benchmark or deliver a certain type of return, such as Absolute Returns?). The delivery of the service, such as how much individual attention and personalization are offered, is also a factor. A final dimension on which service offerings compete is whether the solution is bundled or unbundled. If, for example, an advisor offers a total portfolio solution, can an investor choose to implement only part of the portfolio? These variables, and many more, are what advisors mix and match to compete on service offering.

The general categories that drive competition among wealth managers are service offering, client type, distribution channel, and geography.

Client Type: Advisors compete by targeting certain clients based on attributes such as assets (high-net-worth, mass affluent, etc), investor needs (retirement planning, corporate options, etc) or other demographic, personality, or lifestyle dimensions.

Sales Channel: A direct sales channel is one where the advisor markets directly to prospects – through media and events, for example – with the nature of this direct marketing varying across the competitive landscape. Advisors can also choose to rely on an intermediary as part of their sales channel – for example by building a relationship with a custodian, by soliciting referrals through other professionals, or by coordinating through a corporation in order to access its executives.

Geography: Location can be an important differentiator as it allows the advisor more opportunities to put a human face on the relationship. Geography can be segmented in many different ways, from broad target regions to narrow, localized ones.

New York • New Jersey
973.206.7100
www.mdegroup.com

B. Broadly Targeted Firms
Many firms do not emphasize segmentation and instead compete on a broad level as a "holistic wealth manager." Whereas 20 years ago the concept of holistic, open-architecture wealth management did have value in the investor marketplace, recently so many players have entered the space that the term has become commoditized. Investors have a difficult time perceiving one firm advertising "holistic wealth management" as distinctive from all the others offering an apparently identical service. The same concept applies to almost all other broad descriptors, as effective yet broad service differences are adopted by competitors and commoditized over time.

Whereas 20 years ago the concept of holistic, open-architecture wealth management did have value in the investor marketplace, recently so many players have entered the space that the term has become commoditized.

C. Technology
Some RIAs are using technology to create a competitive edge, either by improving existing services or by creating new, technology-driven brands and service platforms. Whether used to create a difference in degree or a difference in kind, technology can allow advisors to offer unique service attributes (such as mobile accounts, or ultra-low-cost management), target different clients, flexibly bundle or unbundle services, and transcend geography.

Substitutes

In many respects independent RIAs do not primarily compete with other RIAs, but rather the offerings of large financial institutions. These substitutes, which include financial services provided by Wirehouses, Private Banks, Wall St. Firms, and Financial Supermarkets, are well financed and delivered by prominent brands. RIAs are forced to compete based on perceived price and value as well as the investor's existing relationship with the brand.

In many respects RIAs do not primarily compete with other RIAs, but rather the offerings of large financial institutions.

1. Wall Street Firms and Private Banks

Wall Street firms and private banks have significant curb appeal, both in terms of the "vaunted" history of their brands and the exotic investment options they can offer. Notwithstanding recent negative press, these firms are always highly visible and benefit from an "exclusive club" effect. They have the added advantage of multiple business lines through which they develop relationships and offer added value to clients. Wealth management is often a natural extension of a client's existing business or banking relationship.

At the same time, the exclusivity of these firms' offerings is also a weakness. Wall Street firms and private banks may prioritize in-house products that may or may not be appropriate for the investor. In addition, these products are often complex, have higher fees than comparable products, and may carry the credit risk of the institution.

Likewise, the fact that these institutions have multiple business lines also creates risk for the client. For example, a trading division faced with losses may try to pass them off on the firm's wealth management clients. Such conflicts of interest can go unnoticed.

Various segments of the RIA industry have responded to the competitive issues presented by Wall Street firms and private banks (The National Association of Personal Financial Advisors' (NAPFA) recent "Power of Trust" campaign is one example), but overall the differentiated positioning of RIAs versus Wall Street institutions has not been strongly communicated en masse to investors.

Responding to Conflicts of Interest

"Based on ... a bona fide fiduciary standard, and independent, client-centered advice, NAPFA is the only place the public can go with confidence to identify and secure trusted, competent, and objective financial advisors."

Source: Speech by NAPFA National Chair Susan John, CFP® at the 2011 NAPFA National Conference on May 18, 2011 regarding the launch of NAPFA's "Power of Trust" initiative www.napfa.org

New York • New Jersey
973.206.7100
www.mdegroup.com

2. Financial Supermarkets

Financial supermarkets – firms such as Schwab or Fidelity that provide a huge range of services from brokerage to technology platforms to wealth management – are very strongly positioned in the marketplace. In addition to extensive brand awareness and deep advertising budgets, many investors are already tied to these firms through their direct or indirect custody relationships.

Financial supermarkets offer services for almost every investor need. Investor can use the platform in conjunction with a separate advisor, or bypass the wrap fee and buy stocks or managed funds themselves. Investors can find services appropriate for $10,000 to invest, and services for $1 million to invest. This broad positioning allows financial supermarkets to retain clients as investors move through various life stages. For those services the supermarkets do not (yet) offer, their technological edge, open architecture capabilities, and access to large pools of investors makes them especially well poised to quickly launch and scale new initiatives.

While financial supermarkets do offer personally advised accounts with higher minimums, up to this point they have not made a truly concentrated effort to move into the HNW and UHNW market and actively compete with the independent RIAs. Instead they have remained primarily as suppliers to RIAs serving this market. This could change, however. (See the Suppliers section for more.)

Financial supermarkets are very strongly positioned in the marketplace. In addition to extensive brand awareness and deep advertising budgets, many investors are already tied to these firms through their direct or indirect custody relationships.

Suppliers

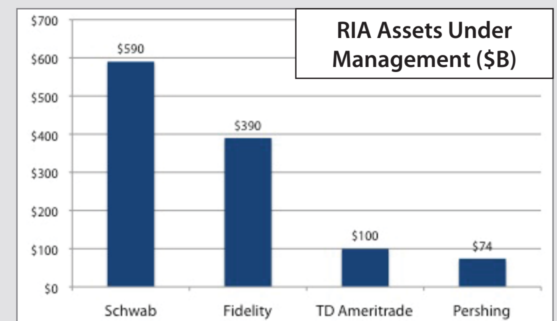
In delivering comprehensive wealth management services to investors, RIAs rely on a wide range of suppliers. Some of these suppliers provide nuts and bolts services such as trading software or account custody, while others offer high value-added solutions such as asset manager due diligence and selection. We focused on those input categories that have the most material effect on cost and/or revenue: custody and trading platforms, TAMPs, and asset management companies.

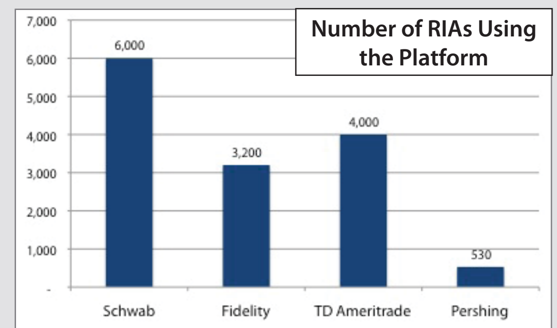
1. Custody and Trading Platforms

These firms often have strong brands and substantial resources. Many are vertically integrated as both a service provider and a competitor (e.g. as a Financial Supermarket) and thus act as "frenemies." On the one hand it is in their interest for RIAs to grow, as they make money from the custody and trading. Furthermore, due to the economies of scale, any loss in revenues falls directly to the bottom line. The stakes are high to retain RIA business, and so competition between custodians is intense. Many offer cash and non-cash incentives to RIAs, including referral programs and other practice management support.

On the other hand, custodians may make a higher profit if they can control customers entirely. As noted previously, these firms are well positioned to compete in almost any area, though none has yet to aggressively develop and market an in-house HNW wealth management offering. If and how they might do so depends on a variety of factors: Would they develop a service through their own brand or a sub-brand, or would they acquire a stake in a different brand? How would they handle the conflict of interest with RIAs on their custodial platform? Would RIAs leave the platform? What would happen to the existing programs currently designed to help RIAs grow their businesses? Custodians will be evaluating these issues as they consider vertically integrating into this space.

The Top Four RIA Custodians





Source: RIABiz Asset Custody Project, February 2010

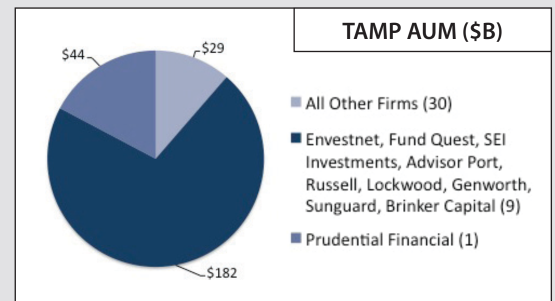
The MDE Group
WEALTH LEADERSHIP
New York • New Jersey
973.206.7100
www.mdegroup.com

2. Turnkey Asset Management Platforms (TAMPs)

Due to lack of expertise and/or economies of scale, certain advisors use turnkey investment solutions as the core of their value offering. The advisors service the client, and the TAMPs provide the portfolio tools. With the value offering (and fees) effectively split, the question is whether TAMPs will seek to capture the rest of the value. Will they move into the retail channel and provide investment services directly to investors? What is their long-term strategy? At this stage we do not expect them to move downstream to the retail marketplace but rather remain as B-to-B businesses. However, for their segment of advisors, TAMPs will become increasingly indispensible as they continue to refine and invest in their investment approaches and technological solutions.

Top Ten TAMPs

"The TAMP market is incredibly concentrated; the ten largest firms account for nearly all the assets"



Source: Separately Managed Accounts & Other Packaged Fee-Account Programs: Recasting a Growing Industry
Tiburon Strategic Advisors, March 2010

3. Asset Management Companies

There are many asset managers fighting for shelf space in RIA portfolios, and competition is fierce within the industry. Active managers must now compete with passive approaches, and new niches quickly become crowded. There is significant pressure for lower fees, and asset managers will help with client materials and assist in securing client accounts. Yet despite all the competition, asset management is still a very high margin business once a certain scale is achieved.

While some asset managers provide balanced portfolio solutions, there is less of an incentive for them to move into personalized HNW wealth management as the costs are higher per client and the model is less scalable. For these reasons, some RIAs are moving into the asset management space by offering proprietary solutions – integrating them into their own client portfolios and selling them separately to individual investors and other RIAs.

New Entrants

Profitable industries attract new entrants, and independent wealth managers will have their share to contend with in the years ahead. Breakaway brokers are a traditional source of new wealth managers as brokers seek to capture a greater share of the value of their client books and benefit from the "independent lifestyle." Technology-based solutions are appearing more frequently as entrepreneurs and established businesses attempt to enter the market in new ways and/or targeting new niches. Suppliers also pose a threat as they may try to move up the value chain.

In addition to the unique incentives of individual new entrants, the independent wealth management industry is particularly attractive to competitors for the following reasons:

The independent wealth management industry is particularly attractive to competitors.

A. Low Entry Costs with Reduced Technical Barriers

Very little capital is needed to set up an office, and custodians will often provide technology and support.

B. Few Proprietary Service Differentiations

Turnkey investment solutions allow advisors to quickly and efficiently offer portfolio solutions of equal quality and sophistication to those of more established wealth managers.

C. No Absolute Cost Advantage for Incumbents

Access to technology and turnkey portfolio solutions allows new entrants to price their services at market rates.

New York • New Jersey
973.206.7100
www.mdegroup.com

D. No Dominant Brands with Material Market Share
New entrants have few well-know brands to compete with, and existing wealth managers do not have high enough incentives to actively retaliate against newcomers.

E. No Limitation by Government Policy
Although compliance has become an increasing burden for all wealth managers, government regulations do not explicitly limit the number of new businesses nor create insurmountable barriers to entry.

Complementors

Complementors are used jointly with a service or are somehow interrelated to the service. For example, services that are complementary to wealth management include accounting, legal counsel and estate planning, risk management and insurance, and life management services. Advisors can take advantage of complementary services by bundling (selling wealth management and complementary services as a package) or cross subsidizing (selling one product at terms that deliberately promote the sale of others).

Advisors can take advantage of complementary services by bundling or cross subsidizing.

1. Pros and Cons

Bundling or cross subsidizing complementary services can differentiate a firm and improve investor satisfaction by increasing the perceived value of the offering. Certain complementary services – tax planning, for example – can reduce client turnover by creating barriers to client mobility. Adding a complementary service can also reduce marketing costs by creating a new entry point for prospects.

Complementors can detract from a business, however, if the cost of providing the service does not justify its benefits or if a firm is unable to provide a quality offering that would be competitive in the open market.

Complementors can detract from a business, however, if the cost of providing the service does not justify its benefits or if a firm is unable to provide a quality offering.

2. Decision Framework

The relative attractiveness of utilizing complementors depends on the following factors:

A. The service and the complementor are readily associated by the client
B. The complementary business is structurally attractive
C. The service provider can provide a quality complementary product
D. The pairing will have synergistic benefits and will improve the competitive positioning of both services

New York • New Jersey
973.206.7100
www.mdegroup.com

NAVIGATING THE FUTURE

Systematically assessing the industry landscape is the first step to take when developing strategy options. Once a clearer understanding of industry dynamics is achieved, it then becomes easier to identify strategic opportunities. Based on the Porter framework, we developed a variety of specific strategy ideas within the following core areas: Service Offering, Client Acquisition and Retention, Delivery and Distribution, and Organization.

The following strategies are simply our observations; their viability and applicability will be based on an individual firm's specific objectives and competitive situation. As you read on, consider what you think: Will these ideas work? Why or why not?

We look forward to hearing your thoughts.

Based on the Porter framework, we developed a variety of specific strategy ideas within the following core areas: Service Offering, Client Acquisition and Retention, Delivery and Distribution, and Organization.

Service Offering

Financial advisors should consider increasing their focus on the client experience, offering comprehensive, customized wealth management services as well as creating an overall customer offering that proactively addresses client concerns.

1. Better Address Investor Needs and Objectives

With lower-cost options readily available, investors will not settle for a cookie-cutter approach. Advisors create real value by carefully structuring portfolios to meet an investor's personal needs and objectives.

Increasing the reliability of the investment offering is an area of potential differentiation. Solutions should minimize surprises and emphasize consistency and predictability for a target risk tolerance. In tandem with enhanced consistency, advisors should systematically manage investor expectations to ultimately improve client satisfaction. This combination will be especially helpful with risk-sensitive clients.

Solutions should minimize surprises and emphasize consistency and predictability for a target risk tolerance.

Another avenue to improve the service offering is to focus on providing complete family solutions. In addition to addressing the needs of the first generation, the advisor should also plan for the next generation of family members and actively include them in the process.

2. Respond to Issues of Trust

While trust has always been the bedrock of the client-advisor relationship, much more can still be done to improve the client experience in this regard. At the most fundamental level, firms should embrace greater transparency and disclose basic conflicts of interest. Transparency is not limited to revealing information. Despite "full disclosure" and lengthy investment documents, investors often feel intimidated and at a loss when it comes to evaluating their investments.

Transparency is not limited to revealing information. Despite "full disclosure" and lengthy investment documents, investors often feel intimidated and at a loss when it comes to evaluating their investments.

Providing relevant, accessible knowledge helps clients feel comfortable with the quality of advice being provided. This includes educating clients on financial basics as well as clarifying investment materials and describing performance, underlying assets and investment processes in clear and understandable terms. In this regard, ongoing communications are just as important as initial ones, and advisors should employ technology to provide greater access to information in a timelier manner.

3. Reassess and Refine Investment and Portfolio Techniques

In order to improve the wealth management offering and client experience outlined in points (1) and (2) and to discover additional benefits, advisors should consider systematically reassessing and refining their investment and portfolio techniques. What methods are there to improve portfolio allocations? What individual solutions are superior to those currently in use? Advisors should pay particular attention to how any innovations benefit the investor.

New York • New Jersey
973.206.7100
www.mdegroup.com

Some particular areas advisors may want to focus on in their assessment include:

i. The liquidity, transparency, and delivery form of investments
ii. The limitations of Modern Portfolio Theory (MPT), including shifting correlations between asset classes and the effect of volatility on the portfolio and investor psychology
iii. The ability of investments to provide asymmetric return patterns
iv. The areas where active or passive management provide more value
v. The issue of third-party risk and hidden fees in certain products

Measurements of performance are fundamental to how advisors manage a portfolio. Are there better methods to evaluating the quality of performance? We see opportunity for new perspectives, especially in regard to standard approaches such as benchmarking. When viewed through these new perspectives, MPT and asset allocation have certain limitations while other strategies appear to have more value. Modifying how performance is presented to investors allows advisors to show added value above and beyond traditional MPT methods.

We see opportunity for new perspectives in performance measurement, especially in regard to standard approaches such as benchmarking.

In terms of overall portfolio allocation and financial planning, advisors need a portfolio approach that is responsive to market and life changes. Rather than conducting standard "portfolio reviews," which tend to be perfunctory and backward-looking, advisors could position themselves as taking a truly prospective approach that encourages investors to make material changes when appropriate.

Last, advisors who develop multiple, distinctive, in-house investment approaches (individual investments and/or total portfolio solutions) may have an advantage when it comes to decommoditizing their firm and matching prospects with appropriate offerings. As "holistic wealth management" has become more widespread, these differentiated approaches could be key to marketing and sales efforts.

Advisors who develop multiple, distinctive, in-house investment approaches may have an advantage when it comes to decommoditizing their firm.

Client Acquisition and Retention

Advisors can have a flawless service offering, but attracting and satisfying clients relies on an organized approach to communicating the value proposition and differentiating the offering. This process extends from the initial contact with a prospect through the lifetime of a client.

1. Improve Marketing and Communications

Effective marketing is critical in the current fragmented and crowded competitive environment. An important discussion point in this area is the concept of "signal value" – the process of defining the terms and purchase criteria for the buyer. Signal value is particularly important in the advisory industry as clients often have a difficult time measuring a firm's performance, purchase investment services infrequently, and receive products that are customized to their specifications after purchase.

Signal value is particularly important in the advisory industry as clients often have a difficult time measuring a firm's performance, purchase investment services infrequently, and receive products that are customized to their specifications after purchase.

Advisors who carefully choose and effectively control/mold the framework for discussion may have a better chance of closing prospects. Signal value is also important after purchase, as investors need constant reassurance they made the right decision, and education may be required to help them evaluate the extent to which the service is meeting their satisfaction criteria. Focusing on the benefits of the firm and using clear, distinctive language to convey those benefits is essential throughout the process.

2. Create Core Narratives

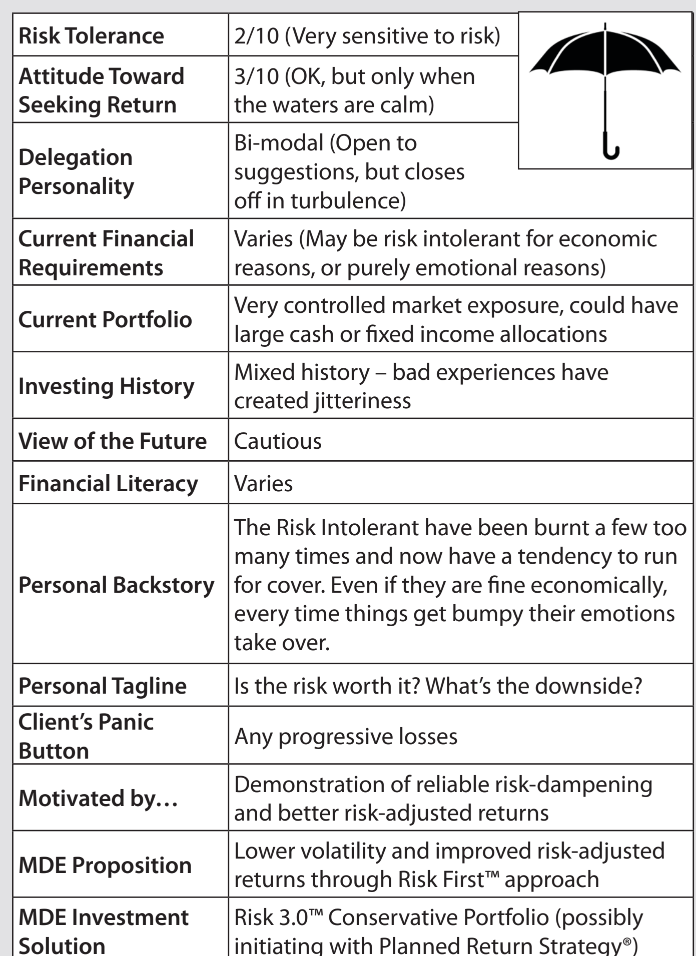
There are many options available to advisors seeking to position and differentiate their firms. Firm positioning can focus on a lead personality, firm history, portfolio approach, client satisfaction, or other core areas. Whatever combination of positioning an advisor chooses to pursue, the choices should build off the strengths of the existing brand.

Advisors can also differentiate themselves by employing a variety of targeted narratives. Strategic, long-term narratives may revolve around topics such as risk-return tradeoffs,

investor decision-making, re-thinking conventional wisdom, investor literacy, or being an insightful and involved community member. Seasonal or timely narratives can include discussions on taxes, regulatory changes, market conditions, or resolutions for the New Year. By focusing on certain narratives, an advisor has the opportunity to highlight various benefits of the firm and raise the firm's profile as a thought leader in target areas.

3. Develop More Nuanced Investor Personas

Personas are descriptions of fictional clients that serve as archetypes for thinking about service and product design. Standard personas within the financial industry divide investors into three categories based on their approach to decision-making: Delegators (who would like to be told what to do), Validators (who desire feedback and advice, but want to stay in control of the process), and Self-Directed (who want to do everything themselves). This is a useful uni-dimensional starting point, but augmenting these personas with additional characteristics could be helpful in navigating the complex investor landscape. Advisors should consider creating detailed portraits of various types of potential investors in order to gain insight into their behavior patterns, goals, skills, and attitudes, and ultimately design the client experience with specific personas in mind. For example, a few personas we consider are Cash Hoarders, the Risk Intolerant, Middle-of-the-Roadsters, Engineers, and Players.



Sample Client Persona: **"Risk Intolerant"**

Risk Tolerance	2/10 (Very sensitive to risk)
Attitude Toward Seeking Return	3/10 (OK, but only when the waters are calm)
Delegation Personality	Bi-modal (Open to suggestions, but closes off in turbulence)
Current Financial Requirements	Varies (May be risk intolerant for economic reasons, or purely emotional reasons)
Current Portfolio	Very controlled market exposure, could have large cash or fixed income allocations
Investing History	Mixed history – bad experiences have created jitteriness
View of the Future	Cautious
Financial Literacy	Varies
Personal Backstory	The Risk Intolerant have been burnt a few too many times and now have a tendency to run for cover. Even if they are fine economically, every time things get bumpy their emotions take over.
Personal Tagline	Is the risk worth it? What's the downside?
Client's Panic Button	Any progressive losses
Motivated by…	Demonstration of reliable risk-dampening and better risk-adjusted returns
MDE Proposition	Lower volatility and improved risk-adjusted returns through Risk First™ approach
MDE Investment Solution	Risk 3.0™ Conservative Portfolio (possibly initiating with Planned Return Strategy®)

Source: New Market Realities and Client Mentalities, The MDE Group, September 2010

4. Segment Efforts

Taking a segmented approach – either through a separate brand or through internal initiatives – allows advisors to more effectively offer value (actual and perceived) to each segment and match segment needs. Segments can be broad-based – gender, ethnicity, generation, or business owner/entrepreneur – or segments can stem from more narrow affinity groups: car collectors, aviators, golfers, etc.

One promising segmentation strategy is to group investors by risk tolerances or market outlook and market accordingly. Another potential strategy is to target segments of investors who are going through transitional periods such as corporate capital events, job change, divorce, or legacy planning. These moments of "money in motion" allow advisors to highlight specific, actionable benefits while traditional barriers (e.g. the tendency for investors to maintain the status quo) are diminished.

5. Organize the Engagement Process

To improve the efficiency of the prospect and sales process, advisors must establish needs and foster emotional connections. This does not happen on first contact. Effective marketing and sales requires a systematic program of engagement to introduce and reinforce core messages and develop a relationship with the prospect. This program should cover all points in the sales process from Awareness to Activation to Assessment to Decision, and all stages in between. Materials and communication style should be appropriate for each stage with consistent messaging across touchpoints. A lead can be lost at any point in the process – don't create any more barriers than necessary on the path to a client. For example, explanatory materials should be designed such that investors who only want to "kick the tires" can get the information they want from the first page, while investors who want to "look under the hood" can find a more detailed discussion in subsequent pages. This way neither group is turned off by over-complexity or lack of information.

The MDE Group
WEALTH LEADERSHIP
New York • New Jersey
973.206.7100
www.mdegroup.com

Key to whole the process are trained representatives who not only know the materials but who can also personally connect with prospects and respond to any concerns. (See the sidebar for how Apple combines staff training with the sales experience.)

6. Avoid the Low Cost Pricing Trap

When clients evaluate a wealth management offering, the cost of service is only one element in the satisfaction equation. Performance, service, planning, and personal relationship are all important factors in the perceived value of an advisor. As a result, we believe competing on price while offering the same level of service is not a viable long-term strategy for advisors. Offering a lower price for a less-comprehensive service package is one option, but seeking a cost advantage ultimately may be uneconomical for advisors on a broad basis.

Delivery and Distribution

The unique nature of the financial services industry (fragmented, scalable, recurring fees) opens up a range of opportunities for advisors to expand their businesses through creative delivery and distribution. These opportunities are created by synergistic consolidation on the one hand and the leveraging of existing resources on the other.

1. Offer Multiple Levels of Service

Advisors typically deliver their service offering in only one form (e.g. through the advisor's sole brand), but there is opportunity to leverage components of an advisor's offering and deliver it to segments otherwise outside the advisor's traditional market. An example of this would be to create a separately branded, low-fee investment solution with lower minimums. The solution would utilize the investment strategies and intellectual capital already created by the existing advisory firm while delivering a portfolio with less personalization and ongoing service. This could be achieved through a semi-automated online platform. An added benefit of this strategy is the potential for some clients in the low-fee/low-minimum brand to cross over to the upscale wealth management brand in order to benefit from additional services or because they can now meet the higher minimum.

2. Leverage Non-Investment Distribution Networks

Sourcing and closing new prospects is a resource- and time-intensive process. Developing third-party distribution channels with advisors who are already tangentially connected to an investor's financial life shortcuts much of the relationship building process. CPAs, life insurers, lawyers, and other family advisors are all potential third-party distributors. Services could be delivered through the third-party advisor in a stripped down form (i.e. minimal customization or service) or the relationship could follow an "exclusive" or "preferred" referral model.

3. Focus Regionally

The financial services industry is vast, with no one entity controlling a meaningful percentage of market share nationally. There is, however, the opportunity to have more impact on a regional basis. Firms could position themselves as the "hometown advisors" through focused communication and marketing, social and educational events, and involvement in the local community.

Lessons from Apple's Customer Playbook

On June 14th news broke that the mastermind behind Apple computer's phenomenally successful retail strategy – Ron Johnson – was leaving to become the chief executive of J.C. Penney. That day investors bid up Penney's shares by 17.5%, adding more than $1.2 billion to the retailer's market value. Why so much stock market interest, and why does this matter to financial advisors?

Advisors can design amazing products or services, but without perfecting a front-line customer experience, all that work can end up a waste of time. In this regard, advisors can learn a lot from Apple's carefully crafted retail experience.

What follows are relevant excerpts from the Wall Street Journal article, "Secrets From Apple's Genius Bar: Full Loyalty, No Negativity" (June 15th, 2011).

Customer Experience is Paramount

Apple rigorously trains employees to create a controlled consumer experience. This experience includes everything from how employees should respond to an emotional customer ("Listen and limit your responses to simple reassurances that you are doing so. 'Uh-huh' 'I understand,' etc.") to fastidious attention to every store detail down to the pre-loaded media on demo devices.

Apple's sales approach is about creating a deeper experience with the brand. Rather than just sell, employees are trained to demonstrate products and help solve customer problems: "Your job is to understand all of your customers' needs—some of which they may not even realize they have," one training manual says.

To train employees, Apple lays out its "steps of service" in the acronym APPLE:
"Approach customers with a personalized warm welcome,"
"Probe politely to understand all the customer's needs,"
"Present a solution for the customer to take home today,"
"Listen for and resolve any issues or concerns," and
"End with a fond farewell and an invitation to return."

In order to create a positive customer experience, what details should advisors be paying attention to?
What are the best approaches to hiring and training employees to manage that experience?

To leverage this positioning, firms seeking growth through consolidation should consider acquiring or merging with neighboring firms. Firms consolidating regionally may have a greater chance of benefiting from various investment, marketing, and organizational synergies in addition to achieving a more prominent market position locally.

Firms consolidating regionally may have a greater chance of benefiting from various investment, marketing, and organizational synergies in addition to achieving a more prominent market position locally.

Organization

Advisors are beset on all sides by organizational pressures that threaten to diminish their competitiveness and thereby reduce the profitability of their businesses. Adapting to new regulation, keeping up with technological innovation, and attracting quality advisors from a limited talent pool are just a few of the costs to compete and serve new business. Navigating these challenges requires developing and implementing strategies to counter the offerings of better-funded and larger RIAs as well as substitute offerings from other financial institutions that may appear to offer similar or better value.

1. Manage the Lifecycle of the Firm

As independent advisory business grow and mature, they tend to plateau. Initial relationships and referral momentum level off and advisors may slip into a service culture that deemphasizes marketing and sales. While serving existing clients is essential, if that is the sole function of the firm eventually the business will lose profitability as aging clients draw down their accounts. By encouraging initiative, rewarding performance, and fostering a dynamic and empowering work environment, advisors can make the shift from a purely service-oriented culture to a marketing-to-sales-to-service business. This process can also aid in the transition to the next generation of firm leadership.

By encouraging initiative, rewarding performance, and fostering a dynamic and empowering work environment, advisors can make the shift from a purely service-oriented culture to a marketing-to-sales-to-service business.

2. Assess Enterprise Strategy Options

Implementing strategies to create a sustainable competitive advantage can be costly. Advisors should consider top-level strategy options for the firm itself before initiating any plans. These options include going it alone with the same level of investment, unilaterally investing, or seeking to merge or be acquired.

3. Embrace Adaptability

Related to managing the life cycle of the firm, it is important to continually evolve the service offering and advisor role. Advisors should embrace change and prepare for an environment rife with risk and uncertainty.

> "Traditional approaches to strategy assume that the world is relatively stable and predictable. In this period of risk and uncertainty, more and more managers are finding competitive advantage in organizational capabilities that foster rapid adaptation. Instead of being really good at doing some particular thing, companies must be really good at learning how to do new things. Those that thrive are quick to read and act on weak signals of change. They have worked out how to experiment rapidly and frequently not only with products and services but also with business models, processes, and strategies. They have acquired the skills to manage complex multi-stakeholder systems in an increasingly interconnected world. And, perhaps most important, they have learned to unlock their greatest resource: the people who work for them."
>
> Martin Reeves and Mike Deimler
> "Adaptability: The New Competitive Advantage,"
> Harvard Business Review, July-August 2011

"Instead of being really good at doing some particular thing, companies must be really good at learning how to do new things. Those that thrive are quick to read and act on weak signals of change."

While not a simple task, firms need to stay ahead of future challenges and proactively direct resources toward delivering a valuable service with a competitive advantage. This pertains to offering the best investment alternatives, integrating any new and relevant technology, and attracting and educating the next generation of qualified advisors. Firms cannot be static but need to be in a continual state of growth and development.

The MDE Group
WEALTH LEADERSHIP
New York • New Jersey
973.206.7100
www.mdegroup.com

Summary of Strategies

As discussed in the introduction, the purpose of our systematic industry analysis is to better understand the factors shaping the future of financial advice. These strategy ideas are the result of that process, but they are by no means "comprehensive" or certain to be successful. Our hope is that they will serve as catalyst for advisors to undertake their own organized business strategy assessment and create a dialogue between like-minded industry participants. What strategies would you add, modify, or reject?

Core Function	Strategy Focus	Tactics
Service Offering	Better address individual investor objectives and needs	Provide risk-sensitive portfolio solutions with enhanced consistency/predictability Match solutions with investor needs and manage expectations Offer complete family solutions and include the next generation in the process
	Respond to issues of trust	Embrace greater transparency Educate clients and clarify investment materials Utilize technology to improve the quality and timeliness of communication
	Reassess and Refine Investment and Portfolio Techniques	Systematically review techniques with focus on the benefit to the investor Seek liquidity, transparency and investor-centric delivery Reassess approaches to measuring and reporting performance Make the portfolio responsive to market an life changes Develop multiple, distinctive, in-house investment approaches
Client Acquisition and Retention	Improve Marketing and Communications	Define the terms for the buyer (signal value) and control the framework for discussion Focus on the benefits to the investor and use clear, distinctive language
	Create Core Narratives	Position the firm in core areas such as a lead personality, firm history, or portfolio approach and build off the strengths of the existing brand Employ targeted narratives to highlight various aspects of firm expertise and raise the firm's profile as a thought leader Narratives can be long-term/strategic or seasonal/timely
	Develop More Nuanced Investor Personas	Create detailed portraits of various types of potential investors in order to gain insight into their behavior patterns, goals, skills, and attitudes Design the client experience with specific personas in mind
	Segment Efforts	Target segments can be broad-based or defined by narrower affinity groups Segments can be targeted with an existing or separate brand Segmentation option: Group investors by target risk tolerance or market outlook Segmentation option: Target investors who are going through transitional periods

The MDE Group WEALTH LEADERSHIP

Summary of Strategies (Cont.)

Core Function	Strategy Focus	Tactics
	Organize the Engagement Process	Develop a systematic program of engagement that covers all stages of the prospect process Train representatives to personally connect with prospects and respond to concerns Materials and communication style should be appropriate for each stage and consistent across touchpoints
	Avoid the Low Cost Pricing Trap	The cost of service is only a one element in the satisfaction equation Competing on price while offering the same level of service may not be a viable long-term strategy for advisors
Delivery and Distribution	Offer Multiple Levels of Service	Leverage components of an advisor's offering and deliver it to segments otherwise outside the advisor's traditional market Allows for expansion into new markets (e.g. low-fee/low-service model) without damaging the existing business Can create synergies between businesses
	Leverage Non-Investment Distribution Networks	Offer solutions through other types of advisors (CPAs, lawyers, etc.) using a distributor or referral model
	Focus Regionally	Position the firm as the "hometown advisors" and seek prominence and market share locally Acquire or merge with neighboring firms and take advantage of consolidation synergies
Organization	Manage the Lifecycle of the Firm	Avoid plateauing by encouraging initiative and rewarding performance Foster a marketing-to-sales-to-service business
	Assess Enterprise Strategy Options	Consider enterprise strategy before initiating functional strategies Options include going it alone with the same level of investment, unilaterally investing, or seeking to merge or be acquired
	Embrace Adaptability	Prepare for an environment of uncertainty and seek to take advantage of change Proactively direct resources toward delivering a valuable service with a competitive advantage Develop competency in learning to do new things

The MDE Group
WEALTH LEADERSHIP

New York • New Jersey
973.206.7100
www.mdegroup.com

THE MDE GROUP: STRATEGY IN ACTION

Analyzing the independent wealth management industry and developing strategy ideas is not a purely theoretical or intellectual exercise pursuit. Ultimately action is required if firms are to benefit from this exploratory process. At MDE we have used the analytical framework presented here to develop and begin implementing a variety of business strategies. Below are three trends discussed in this paper and how we are responding to them as a firm.

TREND 1: Increased Investor Concern About Risk and Portfolio Performance

Investor uncertainty, fear, and cynicism are three challenges advisors increasingly face: Uncertainty about where the current volatile market is headed, fear surrounding whether investors will outlive their assets, and cynicism that the American economy can get back on track and that advisors have the ability to navigate future financial turbulence.

MDE's Approach
MDE has taken a systematic approach to developing investment solutions that match investor needs with the "new market realities" ahead. We define the new market realities as an extended period of slow growth and heightened volatility punctuated by periodic crises. Through the concept of Risk First™ investing, our personalized wealth management offering proactively addresses the client concerns that arise from such a challenging investment environment.

MDE's Planning & Strategy Legacy

MDE has a strong history of servicing clients with a long-term perspective that takes into account the future of the marketplace. Since our founding, MDE has assumed a position of thought leadership in the industry, offering unique financial strategies that spring from a culture of innovation. We were among the first firms to shape the wealth management space, and many techniques we have developed over the years have now become industry standards.

We continue to deliver out-of-the-box thinking through the proactive development of strategies such as Risk 3.0™. We seek to capitalize on changes in the marketplace, the economy, legislation, and client circumstances in order to help our clients better meet their goals.

Risk is front and center in both the construction of MDE's wealth management solutions and in their communication. Over the past two years we have systematically rebuilt our entire investment process using a Risk First™ perspective, integrating risk management as a core and recurring concern. Rather than diversifying portfolios across asset classes, we pay attention to what matters most – diversification across multiple risk exposures, with special attention paid to frequently overlooked risks such as leverage, liquidity, transparency, and systemic financial risk.

Over the past two years we have systematically rebuilt our entire investment process using a Risk First™ perspective.

Risk First™ Investment Solutions
Beginning in 2008, MDE began to develop a new approach to generating investment returns that emphasized consistency and predictability and minimized surprises. We wanted investors to feel confident that we would deliver reliable results for their target risk level and market outlook.

The outcome of this process is the Risk 3.0™ family of investment solutions. These solutions "bend the risk-return" curve to create various patterns of return that are unique, yet formulaic. To effectively match investor risk tolerance and expectations with the appropriate Risk 3.0™ investment solution, we use a dial metaphor. Investors can Power their portfolio with a weighting to more aggressive Risk 3.0™ solutions, or they can opt to Protect their portfolio with more conservative Risk 3.0™ solutions. No matter how investors decide to set their personal Power & Protect™ dial, our Risk 3.0™ strategies are designed so that they deliver consistent results based on their stated patterns of return.

Risk 3.0™ Family of Investment Solutions

Control risk on your terms

Strategy	Objectives
Risk 3.0 Planned Return Strategy®	Eliminate small to moderate market losses while aiming to deliver returns in the high single- to low double-digit range.
Risk 3.0 Accelerated Return Strategy™	Enhance upside returns without incurring additional downside risk
Risk 3.0 Third Rail Strategy™	Protect against steep market declines while maintaining upside potential

The MDE Group
WEALTH LEADERSHIP

New York • New Jersey
973.206.7100
www.mdegroup.com

We have gradually phased Risk 3.0™ strategies into existing and new client portfolios. Our Guide Portfolio now targets a 40% allocation to Risk 3.0™ investment solutions, and we manage more than $250 million in these separately managed accounts.

Risk First™ Portfolio Approach
At the portfolio level, we are currently developing a Risk First™ method of analyzing client and prospect portfolios. This process – called a Portfolio Reset™ – allows investors and their advisors to periodically review portfolio components on a risk-return basis. Overall, committing to a Portfolio Reset™ allows investors to proactively correct misalignments that have crept into their portfolios recently or those that have lingered for much too long. Unlike a standard "portfolio review," which can become perfunctory and backward-looking, a Portfolio Reset™ is a truly prospective approach that encourages investors to make material changes where appropriate.

In particular, the Portfolio Reset™ process examines each asset class and assesses underlying risks, including common pitfalls. For example, while an investor with a large cash allocation may think his or her assets are relatively safe due to low inflation, an advisor conducting a Portfolio Reset™ might point out that the personal inflation rate of the individual is much higher than stated government numbers. Similar thoughtful reveals are structured into the analysis of each portfolio component (equity, hedge funds, income-generating investments, etc.) with the purpose of demonstrating to investors how they can better protect themselves against risk.

Risk First™ Performance Measurement
The final component in our initiative to minimize investor uncertainty, fear, and cynicism is rethinking how we evaluate investment performance. Most standard measures of performance fail to fully account for the value of built-in transparency, liquidity, and reliable downside protection in a portfolio. We would argue that benchmarking, for example, sheds little light on the means taken to achieve investment returns or whether investors are undertaking a sound strategy for their circumstances. As a result we are focused on developing new approaches to performance measurement that offer deeper insight into how a portfolio is seeking to meet personal goals, and whether the portfolio is doing so in a manner that provides investors with peace of mind. We plan to release an industry white paper on this topic.

MDE's Portfolio Reset™ Program

A Risk First™ Process for Analyzing Investor Portfolios

A portfolio reset is needed whenever there is a material change in personal circumstances or market conditions.

Personal Circumstances
- Life stage
- Family situation
- Employment
- Sudden gain/loss of wealth

Market Conditions
- Macro events
- Asset class valuations
- Risk-return trade-off

TREND 2: Heightened Competition for Wealth Management Services

The independent wealth management market is fragmented with low barriers to entry. In addition, so many large and well-capitalized financial institutions have entered the "holistic wealth management" space that the service offering has been commoditized. Competition for HNW wealth management clients is intense and likely to remain so.

In such a competitive environment, satisfying investor needs with a Risk First™ solution is only part of the puzzle. Investors must also be made aware of the differentiated nature of MDE's services. Only through an organized and ongoing communications effort are we able to achieve this goal.

Signaling Differentiation
We signal our value by emphasizing the risk-focused nature of our investment approach and by highlighting the client-centric structure of our firm.

Investors must also be made aware of the differentiated nature of MDE's services. Only through an organized and ongoing communications effort are we able to achieve this goal.

The MDE Group
WEALTH LEADERSHIP

Because investors do not often understand the differences between the various types of financial institutions serving them, we actively convey that our structure as an independent RIA incentivizes us to be on the same side of the table as the client. In contrast, large financial institutions offering wealth management services may have more conflicts of interest and offer less transparency.

In addition, we seek to educate investors in clear and understandable terms about the importance of risk and our Risk First™ approach.

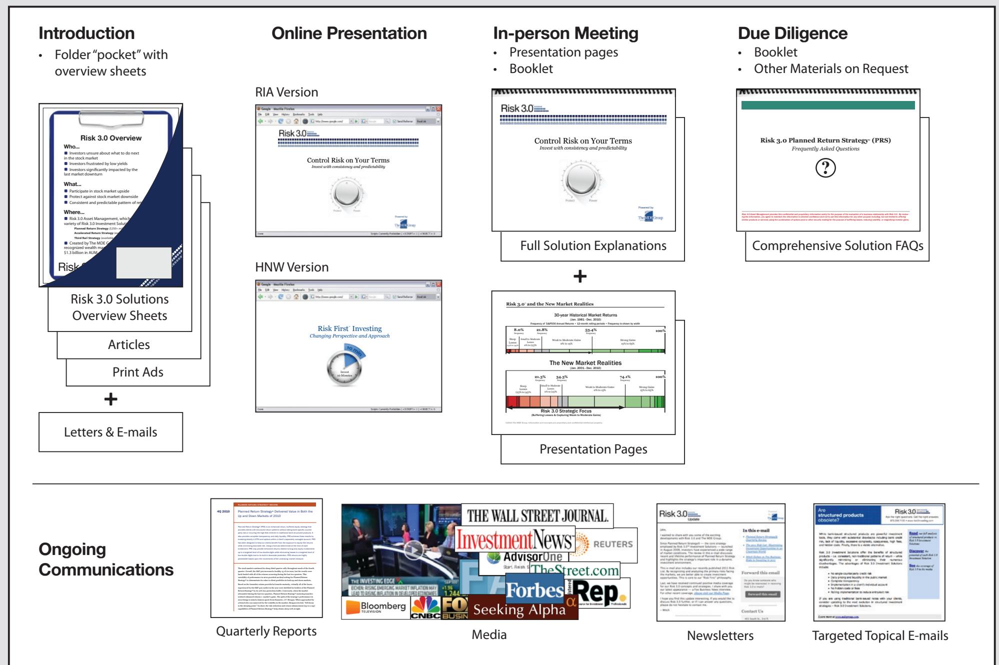
Communication Approach
Targeted messaging appears at every level of the prospect and client process, from initial awareness of MDE to ongoing client communications. Over time we have developed our core narratives through an organized media approach, with each article, media appearance, client communication, or sales presentation designed to help establish the firm as a thought leader in a particular area and raise the profile of the firm's personalities.

Our ongoing column on Forbes.com and regular appearances on CNBC and Fox Business are currently the primary drivers to this process, though we also plan on writing a Risk First Investing book series over the coming years. The first book will cover general investing, with subsequent books outlining how to approach specific topic areas on a Risk First™ basis – e.g., philanthropy or equity investing.

In sum, we have sought to differentiate MDE from among the increasing number of wealth management offerings by signaling to investors the value of our Risk First™ approach and client-centric firm. Coordinated properly, every communication touchpoint adds strength and depth to this messaging.

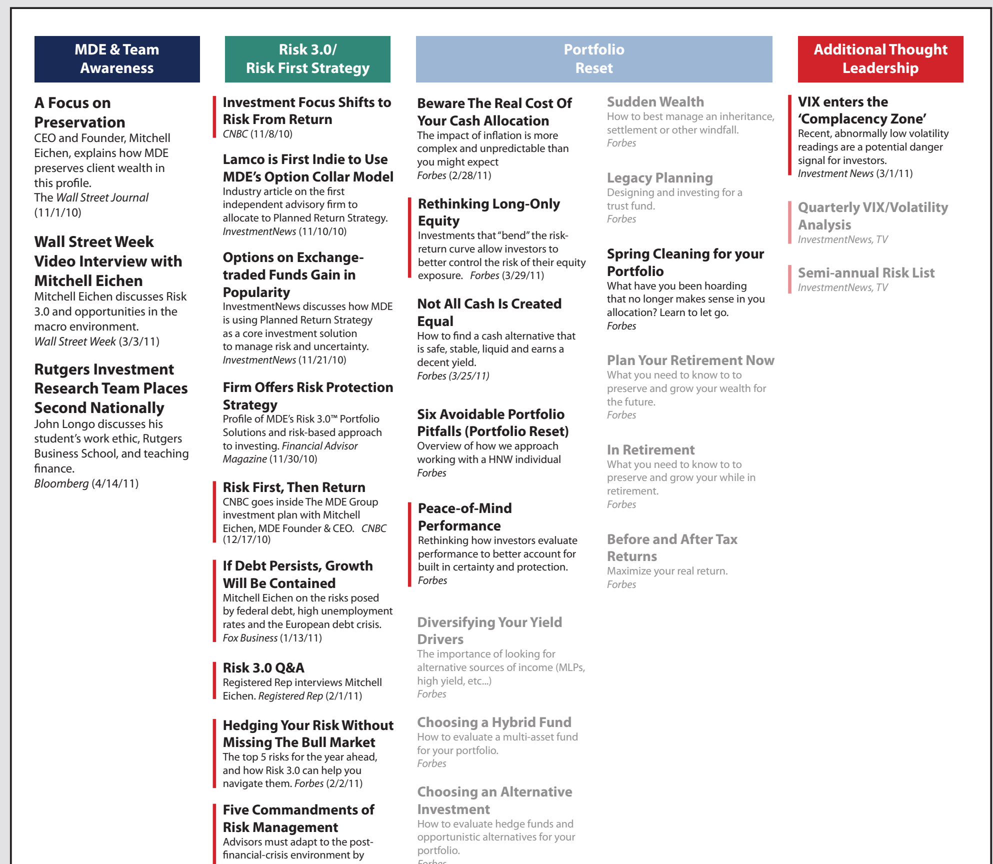
Systematic Client and Prospect Engagement Process

Signal value is conveyed in an organized manner across touchpoints, with messaging appropriate for each stage of the relationship.



Organized Media and Communications Strategy

Each article is designed to emphasize an aspect of MDE's thought leadership



The MDE Group
WEALTH LEADERSHIP

New York • New Jersey
973.206.7100
www.mdegroup.com

TREND 3:
Further Industry Consolidation

Advisors are beset on all sides by organizational pressures that threaten to diminish their competitiveness and thereby reduce the profitability of their businesses. At MDE we recognize that we cannot be static, but must strive for continual growth and development. This requires us to focus both on organic growth as well as growth through consolidation, especially where the combination of the two create a virtuous cycle.

For instance, we are currently interested in building on our differentiation as a "hometown firm" by allying with local wealth managers to expand our presence and further strengthen this competitive edge. The goal is to identify like-minded firms and form a tri-state entity from which to expand strategically and opportunistically. Founding Partners would enter on mutual economic terms in a cashless transaction and seek to benefit by integrating firm functions such as investment strategy and research, media and marketing support, sales, compliance, and administration.

The success of this initiative will depend on the expectations of the participants as well as the ability of the joint entity to provide real value to all involved. The functional advantages inherent in regional consolidation combined with the local brand leverage make us hopeful that this will be a successful strategy.

Joint Entity Value to All Participants

We seek to create a regional, consolidated entity that provides value to all stakeholders.

Value to Clients	Value to Employees	Value to Principals
Increased investment options	Broader client offering	Improved marketing, sales, and service
Improved operational service	Improved operational efficiency	Increased profit margins and improved use of time
Enhanced education & thought leadership	Greater marketing and sales support	Greater upside potential
More competitive fees	Increased incentives and compensation	Improved liquidity and succession

Joint Entity Organizational and Functional Approach

Synergies are generated through an integrated functional and organizational approach as well as by increasing the stature of the joint entity as a "hometown firm."

Management & Business Strategy
Functional Coordination, Firm Interrelationships, Governance, Board of Directors

Investment Strategy and Research
Committee plus Due Diligence Support
Offering Subject to Best Practices

Risk 3.0	Open Architecture	Active Management	ETF	Alternatives

Wealth Management Support
Tax, Accounting, and Other Client Services

Marketing, Media & Thought Leadership
Content, Client Communications, Collateral, Digital and PR

Sales
Strategy, Staff Recruitment, Coordination of Business Development

Operations and Administration
Technology, Compliance, Trading

Client Service

MDE	Founding Partners	Strategic Additions

New York • New Jersey
973.206.7100
www.mdegroup.com

MITCHELL D. EICHEN, J.D., LL.M.
CEO and Founder of The MDE Group

Mitch is the founder and CEO of The MDE Group, an independent and nationally recognized wealth management firm. Over the past 23 years, Mitch has lead The MDE Group with a strategic vision of innovation—first in the field of holistic wealth management and executive counseling, and more recently in developing a new paradigm of investment risk and return called Risk 3.0™.

As CEO and Chief Wealth Strategist, Mitch is ultimately responsible for MDE's investment strategy and overall client relations. He draws on a unique interdisciplinary knowledge of investments, financial planning, and income and estate tax law to provide distinctive wealth management services. Mitch is a writer and lecturer on a variety of financial topics and a member of the Financial Advisory Board to the Rutgers Graduate School of Business.

Prior to forming The MDE Group, Mitch was an officer and Senior Financial Counselor for The Bank of New York's Personal Financial Counseling Department. Previously, Mitch practiced tax, trust, and estate law for Shanley & Fisher, P.C. (now DrinkerBiddle), a 100-plus-attorney law firm in Morristown, New Jersey.

Mitch has an LL.M. in taxation from the New York University School of Law Graduate Division and a J.D. from Georgetown University Law Center. He graduated magna cum laude with a B.A. in economics from Rutgers College where he was a member of Phi Beta Kappa.

MARK B. PEARLMAN, MBA
Executive Vice President, Business Strategy

Mark Pearlman is responsible for overall business strategy, including new initiatives, marketing and media, community involvement and alliances. Mark is a former senior business development and media executive, as well as private equity investor, with extensive experience in launching and growing businesses. He has a strong background and substantial expertise in financial, marketing, and organizational leadership.

Mark joined The MDE Group in order to develop investment solutions designed for the new realities of risk facing the financial world. The result of this partnership is Risk 3.0™, a new paradigm of investment risk and return and a platform of MDE investment solutions.

Previously, Mark served as Executive Vice President at Fox Television, where he managed development and executed the launch of the Fox Cable News Channel. He has held numerous management positions at CBS including Vice President, Business Development. He also was instrumental in building a Metromedia Company owned by John Kluge, where he was Vice President, Market Strategy.

Mark is a former Chairman of the Children's Museum of Manhattan and former Board member of the Annenberg Foundation initiative in New York City for the arts and education.

Mark is a graduate from Brandeis University and the Sloan School of Business at Massachusetts Institute of Technology.

Broad Trends in Wealth and Financial Advice

2011 World Wealth Report
June 2011
Merrill Lynch / Capgemini
www.ml.com / www.capgemini.com

2011 Trends in Investing
June 2011
Financial Planning Association
www.fpanet.org

Anticipating a New Age in Wealth Management
June 2011
PricewaterhouseCoopers
www.pwc.com/wealth

Global Wealth 2011: Shaping a New Tomorrow: How to Capitalize on the Momentum of Change
May 2011
Boston Consulting Group
www.bcg.com

U.S. Trust Insights on Wealth and Worth
April 2011
U.S. Trust (Bank of America Private Wealth Management)
www.ustrust.com

Regaining Lost Ground: Global Wealth 2010
June 2010
Boston Consulting Group
www.bcg.com

Flow of Funds Accounts of the United States
The Federal Reserve
www.federalreserve.gov

Survey of Consumer Finances
The Federal Reserve
www.federalreserve.gov

ICI Fact Book 2011
Investment Company Institute
www.icifactbook.org
www.ici.org

High-Net-Worth Investor Insights

Risk and Rules: The Role of Control in Financial Decision Making
June 2011
Barclays Wealth
www.barclayswealth.com

The Next Decade in Global Wealth Among Millionaire Households
May 2011
Deloitte
www.deloitte.com

Family Performance Tracking
Institute for Private Investors
May 2011
www.memberlink.net

Voices of Wealth: Affluent Investor Report
April 2011
Dow Jones
www.dowjones.com

Fidelity Millionaire Outlook 2011
March 2011
Fidelity Investments
www.fidelity.com

Voices of Wealth: Affluent Investor Report
April 2011
Dow Jones
www.dowjones.com

Wealth Advisor Insights

Insights on Advice
June 2011
Fidelity Investments
www.fidelity.com

Financial Advisors' Use of Options: A Benchmark Study
May 2011
The Options Industry Council (OIC)
www.888options.com

Fidelity Broker and Advisor Sentiment Index
April 2011
Fidelity Investments
www.fidelity.com

Study on Investment Advisers and Broker-Dealers
January 2011
U.S. Securities and Exchange Commission
www.sec.gov

Evolution of the RIA Industry: Adapting to Changing Markets is the Secret of Advisors' Success
September 2010
Rydex|SGI AdvisorBenchmarking
www.advisorbenchmarking.com

A Profile of the Investment Adviser Profession
The Investment Advisor Association and National Regulatory Services
September 2010
www.nrs-inc.com

2010 RIA Benchmarking Study
July 2010
Charles Schwab
www.schwab.com

Schwab Independent Advisor Outlook Survey
Schwab Advisor Services
www.schwab.com

Advisor Confidence Index
AdvisorBenchmarking
www.advisorbenchmarking.com

Barron's Financial Advisor Rankings
Barron's Magazine
www.online.barrons.com

RIABiz Asset Custody Project
RIABiz
www.riabiz.com

Business Strategy and Practice Management

The Consumer Revolution
May 2011
United Capital Financial Advisors
www.unitedcp.com

Real Deals 2010: Definitive Information on Mergers and Acquisitions for Advisors
April 2011
Pershing/FA Insight
www.pershing.com

Industry Trends Affecting RIAs
March 2011

RIA Database
www.riadatabase.com

Winning the Battle for the Wealthy Investor
January 2011
Cisco IBSG
www.cisco.com

The Future of Advice: Defining the Winning Product, Channel, & Tactical Strategies
January 2011
Tiburon Strategic Advisors
www.tiburonadvisors.com

A Case for Starting or Joining a Registered Investment Advisory (RIA) Firm
August 2010
Charles Schwab
www.schwab.com

Leveling the Playing Field: Upgrading the Wealth Management Experience for Women
July 2010
Boston Consulting Group
www.bcg.com

Creating, Measuring and Unlocking Enterprise Value in a Wealth Manager
June 2010
Fiduciary Network
www.fiduciarynetwork.net

The Future of the Financial Advisory Business: Opportunities, Challenges and Trends in the Second Decade of the 21st Century
April 2010
Inside Information/Bob Veres
www.bobveres.com

Best Practices of Today's Rainmakers
The Oechsli Institute
www.oechsli.com

JOIN the DISCUSSION
Share best practices, discuss approaches for improving the client experience, and stay current with news and resources by joining the NextGen Investing LinkedIn group.

New York • New Jersey
973.206.7100
www.mdegroup.com

Information contained in this communication does not constitute personalized investment advice.

Information contained in this communication does not constitute an offer to sell or solicitation to buy securities.

Any offer to sell The Alternative Fund, LLC or any other non-registered security will be made only to qualified investors pursuant to a confidential offering memorandum.

All information contained in this communication has been gathered from sources which The MDE Group, Inc. deems to be accurate. However, inadvertent errors may occur.

Investing involves risks which may lead to losses. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will be profitable The MDE Group, Inc. does not make any representation that any of its investments on behalf of clients, including but not limited to any investments in Risk 3.0, Planned Return Strategy, Accelerated Return Strategy, Third Rail Strategy, the Alternative Fund, LLC or any other investments will or are likely to achieve returns similar to those shown in the performance results presented.

Past performance is not a predictor of future results. It should not be assumed that any information discussed herein will prove to be profitable or that decisions in the future will be profitable or provide similar results.

Calculation methodologies are available from The MDE Group, Inc. upon request.

Any discussion of tax matters contained within this communication should not be used for the purpose of avoiding U.S. tax related penalties or promoting, marketing, or recommending to another party any transaction or matter addressed herein.

The MDE Group, Inc. disclaims liability for any expense incurred or any damage or loss sustained which may be attributable, directly or indirectly to the use of or reliance upon any information provided.