Assets of Money Market Institute firms rise to $4.2 trillion

By Editorial Staff *Thu, Sep 24, 2015*

The "representative as portfolio manager" continues to be the fastest-growing model within the wealth management industry, according to a new report from the Money Market Institute.

The Money Management Institute, whose investment advisory and wealth management firm members manage some $4.2 trillion, has released a statistical overview of data and trends in its industry for the second quarter of 2015. Highlights of the overview, *MMI Central 3Q 2015,* included:

¶ Investment advisory solutions assets rose 2% to $4.2 trillion. The increase occurred despite volatility in the global equity and fixed-income markets, and continued a six-year upward trend. The S&P 500 Index gained 0.3% during the quarter.

¶ Unified Managed Accounts (UMAs) rose 6% (recording the largest increase in assets for the fourth consecutive quarter), Rep as Portfolio Manager again followed with a 3% gain, followed by Separately Managed Accounts (SMAs) at 2%, and Rep as Advisor (a non-discretionary, fee-based advisory option) and Mutual Fund Advisory programs, both at 1%.

¶ One-year IAS asset growth of 11% through June 2015 bettered the 7% gain in the S&P 500 Index. Here too UMA (46%) and Rep as Portfolio Manager (17%) were the leading segments while SMA Advisory, Rep as Advisor and Mutual Fund Advisory lagged both the overall IAS industry and equity markets with gains for the trailing year of 6%, 5% and 5%, respectively.

¶ The longer-term UMA growth trend is an indication that some of the steam is being taken out of SMA and Mutual Fund Advisory programs, as advisors increasingly see the benefits of consolidating various sleeves in one custodial account.

¶ Total IAS net flows continued strong at $63 billion for the second quarter, up $3 billion over the preceding quarter. Rep as Portfolio Manager net flows of $28 billion led all segments and was followed by UMA Advisory with a healthy $18 billion in flows. SMA Advisory programs were also relatively strong for the quarter with net flows of $11 billion. Mutual Fund Advisory posted net flows of $5.5 billion while Rep as Advisor was barely in positive territory with net flows of less than $1 billion.

¶ The aggregate trailing four-quarter net flows for the second quarter of 2015 were $267 billion, just $1 billion ahead of the trailing one-year flows for the second quarter of 2014.

Rep as Portfolio Manager, with $959 billion in assets, continues to steadily edge closer to the $1 trillion mark, which only Mutual Fund Advisory has surpassed. While UMA Advisory outpaces Rep as Portfolio Manager on a percentage basis in quarter-over-quarter asset growth, it does so off an asset base just less than half the size of Rep as Portfolio Manager. The real growth story is to be found in the trailing flow data over the past three years, which Rep as Portfolio Manager dominates.

Among major industry segments, the 2% growth in IAS assets in the second quarter compares to an approximate 5% increase for exchange-traded funds, a 2% gain for long-term mutual Funds, and a 1% decline for money market munds.

The *2015-2016 MMI Industry Guide to Investment Advisory Solutions*, which will be released in late October, includes an annual industry forecast derived from a survey of senior executives at sponsor firms. This year's survey posed questions about sponsor firms' commitment to and progress on the transition to goals-based wealth management (GBWM). Among the survey highlights:

¶ GBWM continues to gain traction, and it is clear that it has become a priority among sponsor firms. An overwhelming proportion of respondents (89%) indicated that GBWM is now an important initiative at their firms.

¶ When asked to project the proportion of their firms' accounts that will transition to GBWM over the next five years, the responses were highly optimistic with a roughly fourfold increase – from the current 10% to 38% – predicted at the end of five years. 88% of executives surveyed indicated that their firms were investing a moderate to significant amount in GBWM, but 89% of those same executives thought that their firms' spending on GBWM wasn't adequate and should be increased.

¶ GBWM-related investments are being put to work in a number of ways. Sponsor firms are beginning to put in place the infrastructure – including planning tools, platform software and other technologies – needed to deliver GBWM.

¶ Most of the current initiatives focus on the front end of the advice delivery process because front-end planning is the first step in implementing a goals-based process, planning modules and interface improvements are likely to drive near-term revenue growth, and converting the front end to GBWM reorients both the client and the financial advisor.