Big Money Gravitates to Wirehouse Stars

By Editor Test   *Wed, Dec 16, 2009*

About 80% of wirehouse assets, or $3 trillion, is managed by advisor teams that manage over $200 million each, Cerulli Associates reported.

The four remaining wirehouses-Merrill Lynch/Bank of America, Morgan Stanley Smith Barney, Wells Fargo/Wachovia and UBS-control nearly half of all advisor-managed assets, Cerulli Associates reported.

About 80% of their assets, or $3 trillion, is managed by advisor teams that manage over $200 million each and typically have four advisors, one of whom is an asset management specialist, and two administrative staff.

The size of the teams allows them to offer a broader set of services to investors, and their network of external specialists make them suitable for investors with over $1 million in net worth.

These top advisors are unlikely to go independent, Cerulli believes. They tend to be more loyal to the channel due to their ties to their employers' proprietary offerings and aren't likely to trade their salaries and bonuses to set up their own shop.

Cerulli predicts the wirehouses will remain an important channel for asset managers, despite the industry trend toward independence. Large wirehouse teams are extremely productive and can be a profitable channel for an asset manager that understands this subset.

In other findings from the December issue of The Cerulli Edge-U.S. Asset Management Edition:

Post crisis, asset managers should provide product options that creatively manage beta, as opposed to only pursuing alpha. This will require a significant change in mindset, however.

In addition to probable 12b-1 regulation changes, trends in the distribution landscape and downward pressure on fees will affect mutual fund industry profitability. Trends include the institutionalization of the sales process, the spread of ETFs and industry consolidation.