

Bessemer, Multi-Family Peers Won Clients in '08

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Bessemer Trust retained its top position in the multi-family office universe

during a year when the downturn did not significantly sap the assets of most firms in the sector because they were adding clients. That's according to this year's version of a data and trends snapshot assembled by the Family Wealth Alliance.

The latest multi-family office market survey also shows a sharp deterioration in the relative standing of wirehouses like Merrill Lynch and Morgan Stanley, at least in the eyes of firms that compete with them for high-net-worth clients.

Bessemer's \$51.6 billion in client assets at the end of 2008 again gives it the top ranking it has held for several years, and signals only a 0.6% drop from 2007. The new second-place firm, with \$28.4 billion in assets, is Wells Fargo Family Wealth Group, a conglomeration of the Calibre family office of the former Wachovia Bank with a similar unit from its new owner, Wells

Fargo. On its own, Calibre placed fifth last year with \$20 billion.

Rockefeller & Co. retained third place in the new ranking with \$25 billion, and the family office arm of Bank of America's U.S. Trust unit remained fourth with \$23.9 billion.

While asset declines varied among the top firms, most fared better than the steep slide of the general markets. The 79 firms responding to the survey averaged a 9.2% decline in total assets year-over-year.

"It looks like [multi-family offices] withstood this tsunami wave pretty darned well," says Thomas Livergood, CEO of Family Wealth Alliance, which is based in Wheaton, Ill. "The wirehouses and banks didn't fare as well in the same storm."

Some of that relative advantage may owe to investment policy, but big contributions also came from adding clients and acquiring competitors, he notes, citing GenSpring Family Offices of Palm Beach Gardens, Fla., as an example. GenSpring, an affiliate

of Atlanta's SunTrust Banks, grew its assets last year to \$15.6 billion, a 7.6% rise that helped it move from ninth to sixth place in the rankings.

Strong client retention and stepped-up hiring were additional factors helping multi-family firms stem losses in 2008, Livergood says. The report states that the median client attrition rate at the firms was 2.6% and the median client asset loss rate was 1.7%. And that attrition data is not offset by client wins, says Robert Casey, senior managing director of research for Family Wealth Alliance and author of the study, who adds that the firms also reported adding 8.6% more clients last year to reach a median of 38 relationships.

The survey respondents run about 90% of the multi-family office market's assets, which altogether top \$310 billion, according to the report's data. The report tracks firms that offer investment and administrative services to multi-generational

family clients, usually focusing on the \$30 million to \$300 million segment.

A widely felt impact of the downturn was the apparent advantage the firms see themselves now holding over wirehouses and other “brand-name” firms damaged by the turbulent year. For instance, respondents counted Merrill as a top-5 competitor three years ago, but it slid to 27th on the list of current competitors. Morgan Stanley similarly dropped from ninth to 29th. Only the Goldman Sachs brokerage has kept its clout, ranking first both then and now.

“We didn’t expect [the wirehouses] to fall off the table,” Livergood says. “It’s a wonderful result of this shake-out for [multi-family firms] as well as a confirmation of the value of the client-centric approach versus being product-driven.”

The report also outlines continued expectations for merger activity, with 59% of firms revealing they had taken part in “informal merger talks” over the past year. And more than 50% reported they were “likely or somewhat likely to take part in a merger within the next 12 months.”

“That level is a little bit surprising,” Livergood says. “But there still are more willing buyers than sellers in the market. We still think consolidation is driven by the desire to have a deeper talent pool and of course by the desire to achieve greater scalability. This latest financial crisis just hastened it.”

GenSpring in April bought an advisory firm in Denver that had \$2 billion in assets. And there have been other deals in recent weeks, including an announcement yesterday of a planned merger between

Threshold Group of Gig Harbor, Wash., and Philadelphia-based Ashbridge Investment Management.

Threshold, which grew from the firm formed to serve the family that built Russell Investments, reported closing out 2008 with \$1.4 billion in assets in the Family Wealth Alliance survey, while Ashbridge reported having \$650 million. The firms have started a due diligence review to hammer out details, but already agreed the combination would take the Threshold name.

Another recent deal was Tolleson Wealth Management’s August acquisition of Quintessence Group. Both firms are in Dallas. Tolleson reported having \$1.7 billion in assets in 2008 to the Family Wealth Alliance.

The downturn helped spark the deal, says Eric Bennett, chairman and CEO of Tolleson’s private

Top Multi-Family Offices

Assets under advisement at year-end 2008

Rank	Firm name	Assets under advisement in \$ billions	% change from 2007	Average client relationship in \$ millions
1	Bessemer Trust, New York	\$51.6	-0.6%	\$25.8
2	Wells Fargo Family Wealth Group, San Francisco	\$28.4	n/a	\$111.4
3	Rockefeller & Co., New York	\$25.0	-16.4	\$94.3
4	U.S. Trust Family Office (Bank of America), New York	\$23.9	-0.4	\$191.2
5	Harris myCFO, Chicago	\$15.8	-16.0	\$58.5
6	GenSpring Family Offices, Palm Beach Gardens, Fla.	\$15.6	7.6	\$20.1
7	Hawthorn, Philadelphia	\$15.5	-6.6	\$25.8
8	Silvercrest Asset Management Group, New York	\$7.8	-22.8	\$22.2
9	Convergent Wealth Advisors, Rockville, Md.	\$7.0	-12.5	\$21.5
10	Greycourt & Co., Pittsburgh	\$6.8	-2.9	\$130.8

Asset totals in billions of dollars; client relationship size in millions of dollars.

Source: 2009 Family Wealth Alliance

wealth management arm. “Our business has been pretty stable throughout the turmoil, though we saw some softening in the market crash because more than half of our revenues are asset-based,” he says. “But as things settled down after the first quarter, we felt like it was a good time to be opportunistic.”

Bennett says the two firms have the same business and service approach and similarly strong reputations locally. Tolleson started up in 1997 to serve the family that founded the First USA credit card company, but now it has 80 family clients with an average of \$30 million in assets, Bennett says.

“The difficult thing for us is keeping up with growth, finding talented people to keep up with the clients,” he adds. “That was 90% of the reason to do it.”

Other firms face similar needs. The survey found that responding firms grew their headcount on average by 8.6% last year, including an 18.8% increase in relationship managers. The survey also found the hiring push relieved some of the pressure, with only 8.5% of responding firms reporting a senior-level vacancy calling for an outside candidate in 2008, down from 23.7% in 2007.

Casey says Northern Trust’s family office arm had ranked second last year with \$30 billion in assets. But Northern decided to narrow its response this year only to assets serviced by that unit, instead of also counting assets from wealthy families served by other Northern divisions.