

Growth Ambitions

By Philip Palaveev

On average, wealth management firms are targeting a growth rate of 15.5% in 2010 net of market performance (new assets only). The growth targets are ambitious and relate to the pre-2008 experience when firms were growing at 25% or more per year on average. The growth ambition can be seen as a sign of optimism or necessity. For many firms, growth is necessary in order to restore profitability and re-start careers that were put on hold during the recession.

In AUM terms, firms are looking to add \$86 million in new AUM in 2010. The statistic is obviously influenced by the largest firms in the survey. When we consider firms of different sizes, the largest firms are looking to add \$287 million in AUM, while the smallest firms are targeting a \$33 million goal. It is interesting that the mid-sized firms have a more modest target of 7.5% net growth or \$55 million in AUM. We can only speculate whether this is a mere aberration or if mid-sized firms were more cautious in general. However, it is true that mid-sized firms had a more difficult time tackling some of the challenges of the crisis since they lacked the low cost and low staff counts of the small firms and at the same time did not have the dominant market position of the large firms.

When asked if they find business development to be more or less difficult in 2009, firms are split in their response. Twenty-seven percent of participants say that they had more difficulty developing business in 2009, while 28% believe that it was actually easier and 45% found that adding new clients was not any easier or harder.

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