

Partnership Advisory Model drives Client Relationships and outcomes



The company's distinctive model of working exclusively with external asset managers instead of employing in-house advisors has been a major factor in its rapid growth.

Executive Summary

Gary Harvey, Chief Executive Officer of St. James's Place Wealth Management (SJP) in Singapore, speaks to Hubbis about his company's practice management and explains how a recurring-income model, rather than upfront commissions, is a greater incentive for advisors to maintain strong and meaningful relationships with their clients. He believes this model also sees wealth management clients retaining more control and economic power over their investments. Harvey shares that the company is 'very committed' to Singapore, servicing both the local and expatriate communities in Singapore with a proposition focused on their needs, and is building its talent from within with graduate recruitment programs that will enable it to grow organically in the region.



SJP IS THE LARGEST WEALTH MANAGEMENT company in the U.K., with over GBP95 billion (USD 125 billion) of client assets under management (AUM). The company was established in 1991 by Sir Mark Weinberg, Mike Wilson CBE and Lord Rothschild under the name of the J. Rothschild Assurance Group and started trading in 1992.

In April 1997, the J. Rothschild Assurance Group effectively achieved a reverse takeover of St. James's Place Capital, thereby securing a public listing on the Stock Exchange after just five years of trading. Its market capitalisation placed it within the FTSE 250 Index. In 2006, the company changed its name to St. James's Place, and by early 2014, it had entered the FTSE 100. In June 2014, the company acquired The Henley Group, one of Asia's leading wealth management advice companies, establishing the company's presence in Singapore, Hong Kong, and Shanghai.

Gary Harvey is Chief Executive Officer at SJP in Singapore. He describes the growth of SJP in Singapore following its acquisition of The Henley Group: "The Henley Group were predominantly expatriate-based. We went through a transition process of bringing in the SJP approach to the way we deal with clients and the way we deal with our wealth advisors. Our U.K. heritage and our access to tax and technical expertise helps support international clients in general, and British ones in particular," he says. "Now, as we have progressed, we are starting to grow quite strongly in the Singapore market. Ultimately, we want to be a Singaporean advisory business, with a strong expatriate element, because there is a unique competency for us in that space."

Despite its focus on expatriates in Singapore, Harvey notes that the company also needs to expand its local client base for it to have a truly solid business in the long term. "The expatriate market is

Key Priorities

Harvey describes his company's biggest priority in the upcoming year as focusing on the growth of its business in Singapore through bringing suitable people into the organisation, both as Partners and employees, as well as strategically fine-tuning the SJP proposition for the Singapore market.

Building brand recognition for SJP in Singapore, and increasing awareness of its propositions, including the fact it provides a unique guarantee on the advice delivered by its Partners.

Leveraging the company's position within the expatriate market in Singapore, particularly with British expatriates in offering near-seamless wealth repatriation services in terms of pre-planning and tax structuring and making this available to the Singaporean community.

Presently, the company's proposition tends to favour unbundled products. "Generally, we would look at insurance and investment as two separate things which we would try not to put together," he says. "But there are instances where we might see that a bundled-type solution for a client makes sense, so we are fine-tuning that to improve our investment proposition, and build a very robust legacy planning and international wealth strategy."

very attractive to us," he says. "But we think there is also a very big opportunity in the Singaporean market because customers are becoming more and more aware about the importance of getting quality advice, and not just buying a product. And when you look at the numbers of people in Singapore who would fall into our target market, it is very large."

"So we think we will be able to carve ourselves out a niche in that market, particularly for those people who want to have a stronger advisory process, a more transparent one, with a business that wants to align itself to long-term servicing and relationships."

Harvey believes that the company's distinctive model of working exclusively with external asset managers instead of employing in-house advisors has been a major factor in its rapid growth.

The rationale behind this model is a recognition that no single investment house has a monopoly in investment expertise, and therefore the company

selects a group of high-performing managers - from the global investment market to manage funds on behalf of clients. This practice also offers clients an opportunity to diversify and spread their capital across funds managed by different managers with different styles.

Managing managers

"We take a 'manager of managers' approach," says Harvey. "There is a very robust process. We have an Investment Committee which includes of a number of independent advisors, who make choices around the managers that we place our money with."

"We've got over 30 different Investment Managers that we use across the GBP95 billion in assets that we manage, and we go through a process of select, monitor, and change."

He elaborates: "We select them through a rigorous due diligence process. Then we monitor the process, how they follow the mandates given. Because they are mandates, that gives us a larger



GARY HARVEY
St. James's Place Wealth Management

degree of information on what is happening in the funds. This is because in a mandate - as opposed to a fund-of-funds approach - we can actually see what is happening with the assets underneath."

"That monitoring process obviously requires regular reviews of the business, which occasionally will lead to a change. Just recently, we've changed a number of managers."

Partners 'build a business'

SJP refers to its financial advisers as 'Partners'. "The focus we have on our Partners is a distinctive element of our approach," says Harvey. "We build our business centered around the Partner-to-client relationship, whether it be marketing, sales management or compliance. We like to have our Partners think that they are building a business with recurring income streams, where there is money paid every year through a contract, not just from how much they sell this year."

"I would not say this is unique but in this industry, commissions are still largely paid upfront."

He also points out that on the client's side, the move away from commission-based structures moves the economic power back into the client's control. "If the client is paying the servicing fee through their product and they decide that

they are not happy with that Partner and go somewhere else, they've actually got some economic power in the relationship, rather than in a structure where everything is paid upfront."

Recurring incomes to build businesses

Harvey believes that a focus on recurring revenues is key to the success of a Partner-client relationship. "I know many people will promise 'I'll service you for life', but if all the revenue has come out up front, the problem is after the first year they are not getting any annual fees, because the client paid everything in a lump sum," he says. "If an advisor has been with a client for ten years and they haven't built up a recurring revenue in their business, how can the client feel comfortable that the advisor is actually going

they decide to leave or retire, or reduce the amount of time that they spend at work. Partners can actually sell their book of business to another SJP Partner which allows for a smooth transition of the client relationship."

Partners do not make decisions on funds

Another difference between SJP and many other wealth management firms is the fact that its Partners do not make decisions on funds.

Harvey shares two reasons for this. "Firstly, because investment management is a very complex matter, and requires a lot of expertise. These days, it is a 24/7 activity. There is some market open almost every hour of the week."

Secondly, the company believes that Partners add the most value to clients when they can focus on their primary area of expertise,

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to be able to continue servicing them, because there is no revenue coming in?"

"Getting a fee from the AUM means the Partner is aligned with the client in terms of the ability to service them, because there are costs involved in our business. If you do not actually have a servicing fee, it is hard to promise servicing."

"The recurring incomes make the proposition meaningful," he emphasises. "So we want people who will build up long-term client relationships, and understand that it is a service model. And understand that if they build this business, they will get the financial rewards from having had that."

For the Partners, Harvey says, "SJP takes the income back to the point of building a business for them, and structures an approach where it can facilitate the sale of that Partner's business when

delivering face to face advice and building and client relationships. "So, removing from them the need to spend hours deciding on whether it is this fund or that fund frees up time," he explains. "But also from a capability point of view, it means that we've got experts making those decisions, not people who are doing it in addition to seeing clients."

An ideal Partner

Harvey says that ideal candidates for SJP Partners are people who seek to become professionals, who are client-focused and interested in building a long-term business that would accrue a value to them.

Harvey identifies another characteristic of an ideal candidate: "We are also very interested in people who want to take their professional exams: Certified Financial Planner (CFP) or Chartered

Financial Consultant (ChFC). For U.K. advisors, or people that might want to go back to the UK, we would encourage the Chartered Insurance Institute (CII) exams, and making sure they have an advanced Level Four or Level Six CII diploma in financial planning."

"It is a good indicator to me if somebody wants to build a ten or fifteen or thirty-year career - they take their development seriously," he stresses. "If they are committed to that, then you'll often find that they want to get a professional qualification; letters after their name."

"And, as an organisation, we have a lot of resources to help them; we use external resources like Hubbis and have a very good intranet where they can develop themselves in things, like the

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compulsory regulatory training which we use ourselves, to complement their development. And that differentiates them and SJP from other people in the industry."

Harvey says SJP strives to promote a strong team culture, and an environment that people derive enjoyment working from.

"We are very committed to Singapore, and we have just had a graduate recruitment program," he shares. "We will be bringing in three Singaporean graduates on a two-year rotating program for different departments each year, so that we can build talent from within, that will then enable us to grow in the future."

Of the graduate recruitment process, Harvey says there were 65 applicants, out of which the company shortlisted seven and ended up employing three people, more than it had planned to take on, "because the quality was so high".

Corporate social responsibility

SJP also places a strong emphasis on corporate social responsibility. The SJP Charitable Foundation was established in 1992 as the group's charitable arm, which has raised over £70 million so far. Each year, the Charitable Foundation supports hundreds of charities with the main focus on children and young people who have special needs through illness or disability, or disadvantaged in other ways.

Harvey shares that the company is presently looking at how it can build something similar in Singapore. "There is a strong encouragement across the group to get involved. In addition to giving a number of grants to local charities, we allow people volunteer days, for example, in addition to

their annual and other types of leave," he says. "If somebody wants to take a day off to volunteer or go and work with a charitable organisation in Singapore, we encourage them do that."

The St. James's Place client

Harvey describes the SJP client as "an individual in privilege banking and above", with upwards of a few hundred thousand Singapore dollars to invest. However, he clarifies, "It is not always a hard-and-fast rule for us. We are not like the private bank that says unless you've got a certain amount of money, you cannot come on board."

"We don't have a set limit because we will find people who are maybe asset-poor but income-rich, so they may be in the wealth accumulation stage. So they may be able to save quite a lot of money for retirement."

"When you are younger you tend to look at wealth accumulation, or purchasing a

property, or down-paying debt that you've got for the property. You may have higher protection needs because of your family," he notes. "Each individual circumstance is slightly different. And we translate those inputs into something that gives the client either comfort that they are doing the right things, or advice on the things that they need to do and recommendations."

"It could be as simple as, 'You haven't put a will in place.' Or, 'You need to improve the level of medical cover that you have, because the policy you currently have only covers you to a certain level, and you are worried about this.' So it can be a range of different recommendations, based on the things that a person or family wants to achieve."

Harvey shares some examples of a typical SJP client: "On one end of the spectrum, we have clients or a couple in their early 30s, who may be building their family. The things concern them are, 'What happens if I get ill? What happens if I die? What happens if I continue to live a long time, and what am I going to do in retirement?'

Harvey also observes that in Singaporean society, an expectation to look after parents in old age is another consideration in wealth planning. "Elder care can be expensive. So obviously if a client is concerned about their parents, or there are things that need to be considered from a parental point of view, we need to understand where they and their parents are at today, what they already have, whether they have existing life insurance or medical insurance. And then out of that, we review their medical insurance and their life insurance coverage, say for critical illness."

"Then, we look at what they were doing in terms of also building up their retirement provisions, for example, do they need to pay down more debt? If so, we might advise them to talk to a mortgage broker. Similarly, we would want to make sure our clients have a will in place, so we would facilitate this. Then, at the other end of the spectrum, you

could meet the owner of a business who is thinking about what is going to happen to their money in the next generation."

"Maybe they've got the family business, the family home and three children. And very often, one of the children may be involved in the business, and the others aren't.

tion, whether it be an investment or a protection product."

"But we like to start from the position of the client: what is the advice that they should have, rather than what the product is that we want to sell. And then we build the advice and recommendations to suit their

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So the question is, do they want to sell the business or the family home in order to be fair and equal to all the children?"

"Again, particularly in Asia, the home property is an emotional asset. It is not an asset that would normally be sold. So we would have a conversation with the client about what would work, what they want to happen when they are no longer here," he explains. "And then we come up with recommendations around how they would do that. So again, we review their financial situation, whether they have a will in place, whether there is a need for a trust to facilitate that intergenerational wealth."

Advice-driven sales

Harvey notes that while regulators and the wealth management industry in Singapore are seeking to improve the quality of advice.. He says: "I am not sure it is changing at a rate that would be comparable, say, with other markets yet. There have been improvements in terms of the quality of advice, but there are still a lot of people who principally sell products."

"One of the things we like to say about ourselves is that in an industry where most people have sales-driven advice, we have advice-driven sales," he says. "Normally, you would go through a process and end up with a recommenda-

objectives." Harvey shares the SJP definition of advice: "To me, advice is looking at a client's personal, emotional and financial situation, and understanding what they want to achieve, what their concerns are. And then translating that into what the client needs to do to achieve the things they want for the future."

Wealth repatriation for British expatriates

Another priority, Harvey says, is leveraging the company's position within the expatriate market in Singapore, particularly with British expatriates in offering easy, near-seamless wealth repatriation services.

"The Partners who work for St. James's Place in the U.K. operate in a very similar way to those in Singapore. They may have a slightly different range of investments that are more appropriate to U.K. tax and regulations, but if well planned, it can become a seamless transfer," he explains.

"So if a client decides to return to the UK, we are able to structure their affairs correctly, pre-plan for the client and make sure they do the right things from a tax perspective before they go home. We move them back in a way where they still stay within the same group, and things will have the same look and feel for them and equally as important they will have a SJP Partner in the UK on hand to help them upon their return home."

A guarantee on advice

The next priority for the company in Singapore is to build brand recognition for SJP in a crowded financial services marketplace. “It is important to get our name and what we stand for out there, so that people understand who we are, how we work – and the fact that St. James’s Place gives a guarantee on our advice.”

“We do a check before a recommendation gets put in front of a client. We call this a ‘letter of suitability’ which has been checked – by an independent, non-sales department within the company – that the recommendation is suitable for the client,” he says. “If that advice proves to have been inappropriate in the future, then we will put things right. If there is a downside, we need to make sure that the client is aware of that downside. So that is why we are prepared to put that guarantee behind us.”

“To my knowledge, SJP is the only company that would do that. And the fact that we have the resources and backing of a FTSE 100 company means it is a meaningful guarantee.” ■

Getting Personal

Gary Harvey was born in Wimbledon and educated in Maidstone and Eastbourne. He began his career not in the financial services industry, but in wines and spirits where his first job was preparing quality control tastings for wine buyers and tasters.

After about eight years, Harvey decided to change careers and move into the financial world. In 1995, he relocated to Australia with the AXA Group, working on its business development for Asia and spending most of his time in mainland China, Hong Kong and Taiwan.

In 2002, he had the opportunity to go to Singapore as the CEO of AXA Life and in the following years, he built a financial advisory business within the AXA Group, which had a similar philosophy to St. James’s Place.

Prior to joining St. James’s Place, Harvey was Chief Executive Officer at Nexus Financial Services. He is also the vice-president of the Financial Planning Association of Singapore.

He enjoys good food, movies and reading when he has time, and names Senso in Club Street, Singapore as a current favourite restaurant. Harvey has a daughter, who is presently finishing a law degree in the U.K.

