



# PRICE INSIGHTS 2023

KEY FINDINGS

Excerpts

**Sample Bank**

December 2023



# OUR RESOURCES

## Stated Fees

### WISE Wealth Management Stated Fee Database

Starting with a nationwide canvass of banks and trust companies in 2017, our team has built a comprehensive database of stated fees for investment management and trust services. We update the database on an ongoing basis and, as of year-end 2023, it comprises more than 1,800 fee schedules from bank wealth managers, independent trust companies, MFOs, and Top 100 RIAs.

We use our stated fee data to ensure that your firm's fees are appropriately positioned (e.g., that they do not lag prevailing industry prices). We also use our stated fee data to give sales and servicing teams confidence that their fees are aligned with market norms.

## Realized Fees

### WISE Price Insights Database

In 2021, we began collecting account- and household-level asset and revenue data. The Price Insights dataset comprises more than 300,000 accounts and helps firms determine the revenue that they are "supposed to" earn for a given piece of business factoring in discounts and exceptions. This insight is essential for improving revenue outcomes. For example:

- *For new business:* strengthen pricing and discounting practices through comparative data analysis and pattern identification—e.g., identify the sources of discounting and affect behavioral change through coaching.
- *For existing business:* Identify gaps (or deficits) in realized fees across your existing book of business, information that is essential for repricing initiatives and improving revenue realization rates.

## Talk with Our Team

Our team is available to discuss this research with you, help identify key takeaways, and answer your questions. We can also share 'lessons learned' from other firms that are strengthening their pricing and discounting practices.

The following are examples of ways we help our members:

- Conduct informal, one-on-one discussions about the research
- Participate in standing management and sales team meetings (e.g., a "quick 15 minutes" about your firm's pricing outcomes)
- Present at firm planning sessions
- Present to boards and other stakeholders



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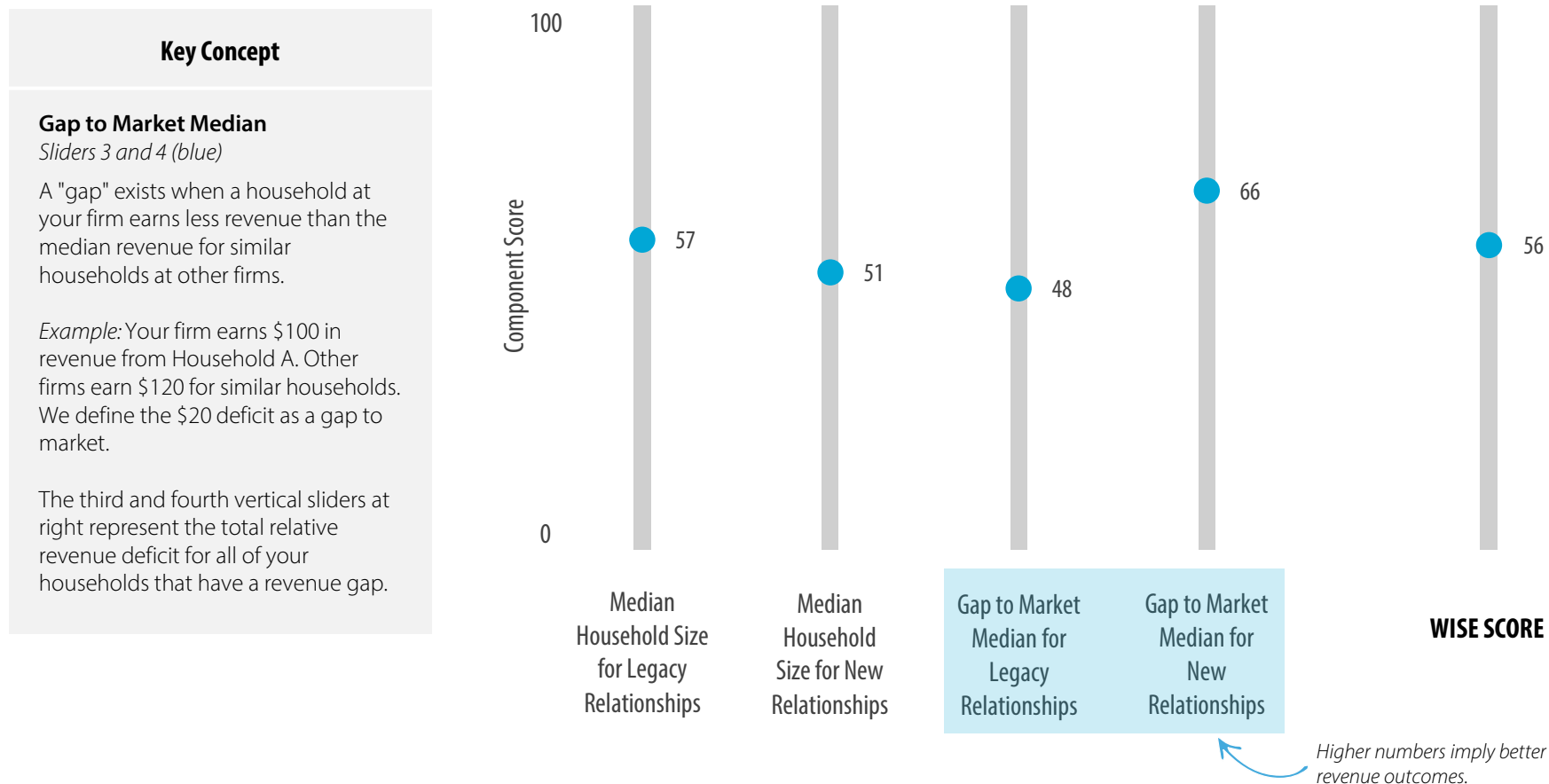
# EXECUTIVE SUMMARY

Sample Bank

## WISE SCORE

"Just give me one number!" The WISE Score (below, far right) is a composite of key client size and revenue characteristics in your firm's book of business. The relative size of your firm's clients is represented by the two vertical sliders at left, indexed to a scale of 0 to 100. Larger numbers mean that a typical client at Sample Bank has more assets than at other firms. Your firm's revenue gap to market is represented by the third and fourth sliders, which represent households at Sample Bank that earn less revenue than similar households at other firms. Higher scores imply better revenue outcomes (fewer gaps). Managers and client-facing teams alike can positively impact these metrics, and improvements over time will have a powerful impact on revenues.

### WISE Score: Household Sizes and Gap to Market



Notes: Each index shows your percentile ranking relative to all other firms. A value of 50 would represent the median value for all firms. New relationships are those initiated in 2019 or later. Legacy relationships are those initiated prior to 2019. A higher score on gap to market metrics indicates that your firm has fewer gaps.

# 1 OPPORTUNITIES & OUTCOMES

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## **Sample Bank**

- Market Positioning
- Revenue per Household
- Estimated Revenue Opportunity
- Household Distribution



# OVERVIEW

## SECTION 1

Sample Bank

### What's in this Section

#### A summary of your pricing and discounting outcomes.

Key question: Should your firm prioritize changes to its fees, improvements in realization, or both?

#### The size of your revenue opportunity.

Key question: What is the likely financial benefit from improving your pricing or realization outcomes?

#### Distribution of client households.

Key question: Based on the size of different household segments, where will revenue improvements have the greatest impact?

### Our Take

#### Strengthening pricing practices and reducing discounts can meaningfully impact your financials.

- Improvements are controllable and accretive to margin; benefits span the duration of relationships that commonly last 7-8 years for investment management and 15-20+ years for trust services.
- Firms have three opportunities:
  - Reprice existing business.
  - Raise or adjust fees.
  - Change the business practices and human behaviors that lead to discounts on new business.
- Pricing outcomes reflect leadership decisions (e.g., where to set fees) but they are also significantly impacted by the everyday behaviors of relationship managers, sales officers, and mid-level managers. In a typical firm, many people impact fee outcomes.

**We think Sample's incremental revenue opportunity is at least 13–24 basis points.**

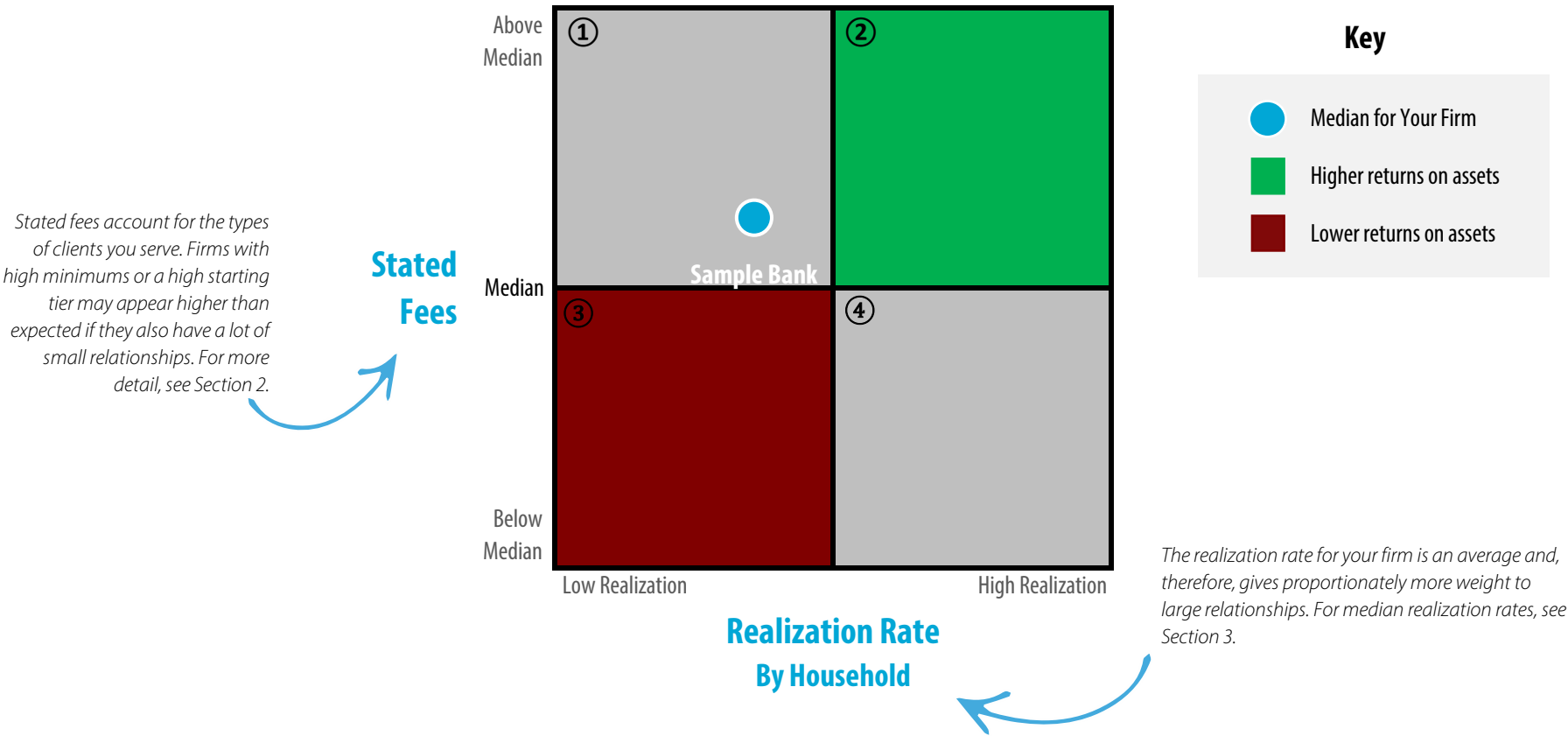
# OPPORTUNITIES & OUTCOMES

Sample Bank

## MARKET POSITIONING

The section summarizes Sample's revenue opportunity, which is largely defined by its stated fees and its realization rates. The 2x2 matrix below shows that the firm's stated fees are higher than the industry median, but its realization rate is lower (blue dot). The positioning of your blue dot hints at whether your firm should prioritize updates to its fee schedule, reducing discounts, or both.

**Stated Fee and Realization Rate Map**  
Your Firm Relative to All Firms



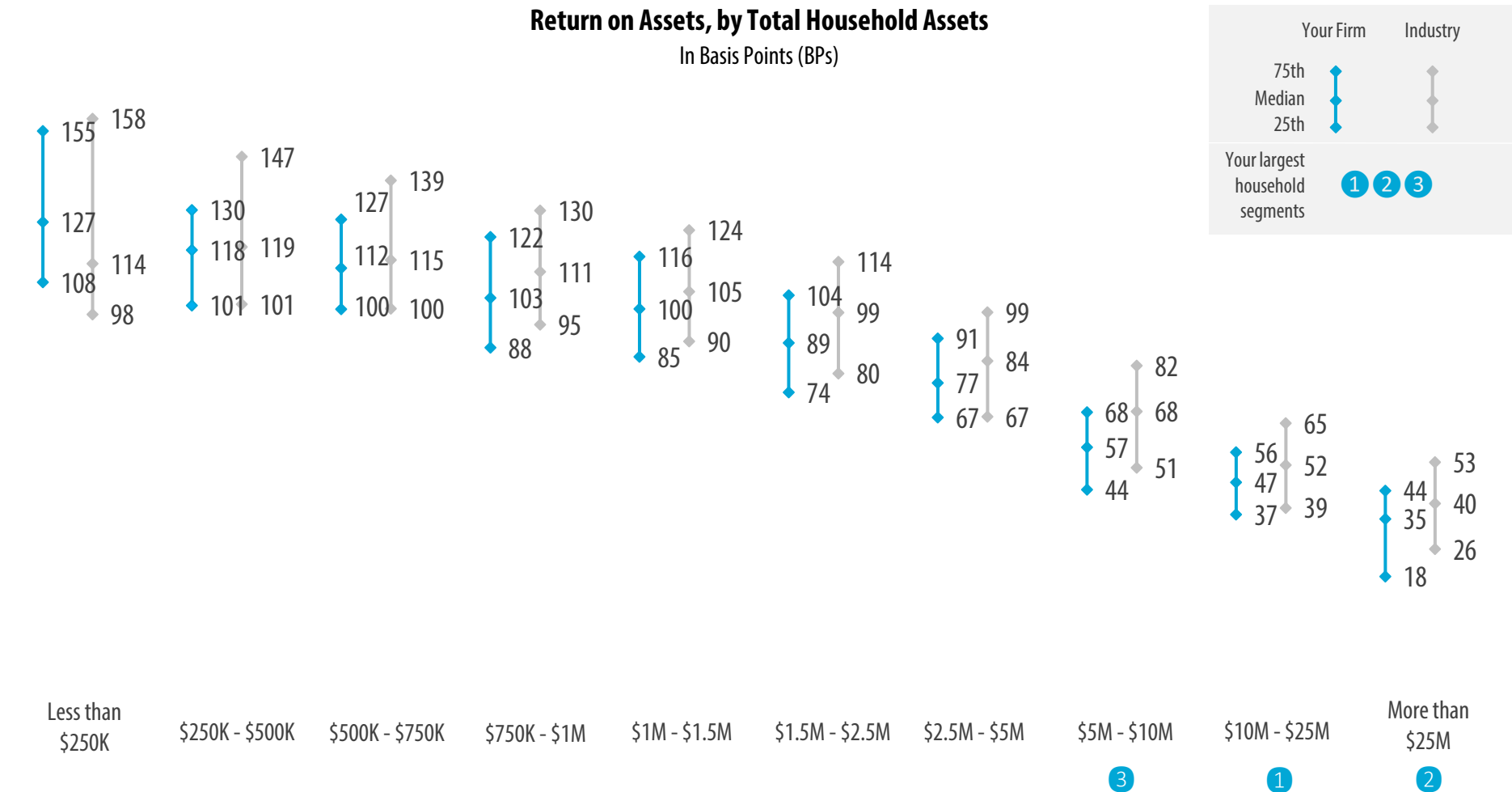
Notes: \*Median realization rate for all firms is about 69% of stated fees. Realization rates are calculated using your most recent fee schedule. Firms that have recently implemented a new schedule may show lower than expected realization rates. This analysis is based on your firm's irrevocable trust, revocable trust, investment management, and IRA accounts.

# OPPORTUNITIES & OUTCOMES

Sample Bank

## RETURN ON ASSETS BY HOUSEHOLD SIZE

Sample's stated fees and its discounting practices (previous page) largely determine its revenues per household, which are shown below in basis points. Ranges for your firm are blue; ranges for other firms are gray. For example, for a typical household with \$1M in assets, Sample Bank earns less revenue than the industry median (blue box). Not only should Sample Bank monitor its revenues relative to other firms, it should also monitor dispersion within household segments. Wide ranges (tall blue bars) are indicative of inconsistent pricing practices.



Notes: Your firm's largest household segments are determined by the total assets in that segment. Pricing practices in this segment are likely to have the biggest impact on your total revenues. Revenue may be especially low for households below \$1M due to minimum fee enforcement and above \$10M due to customization for UHNW clients.

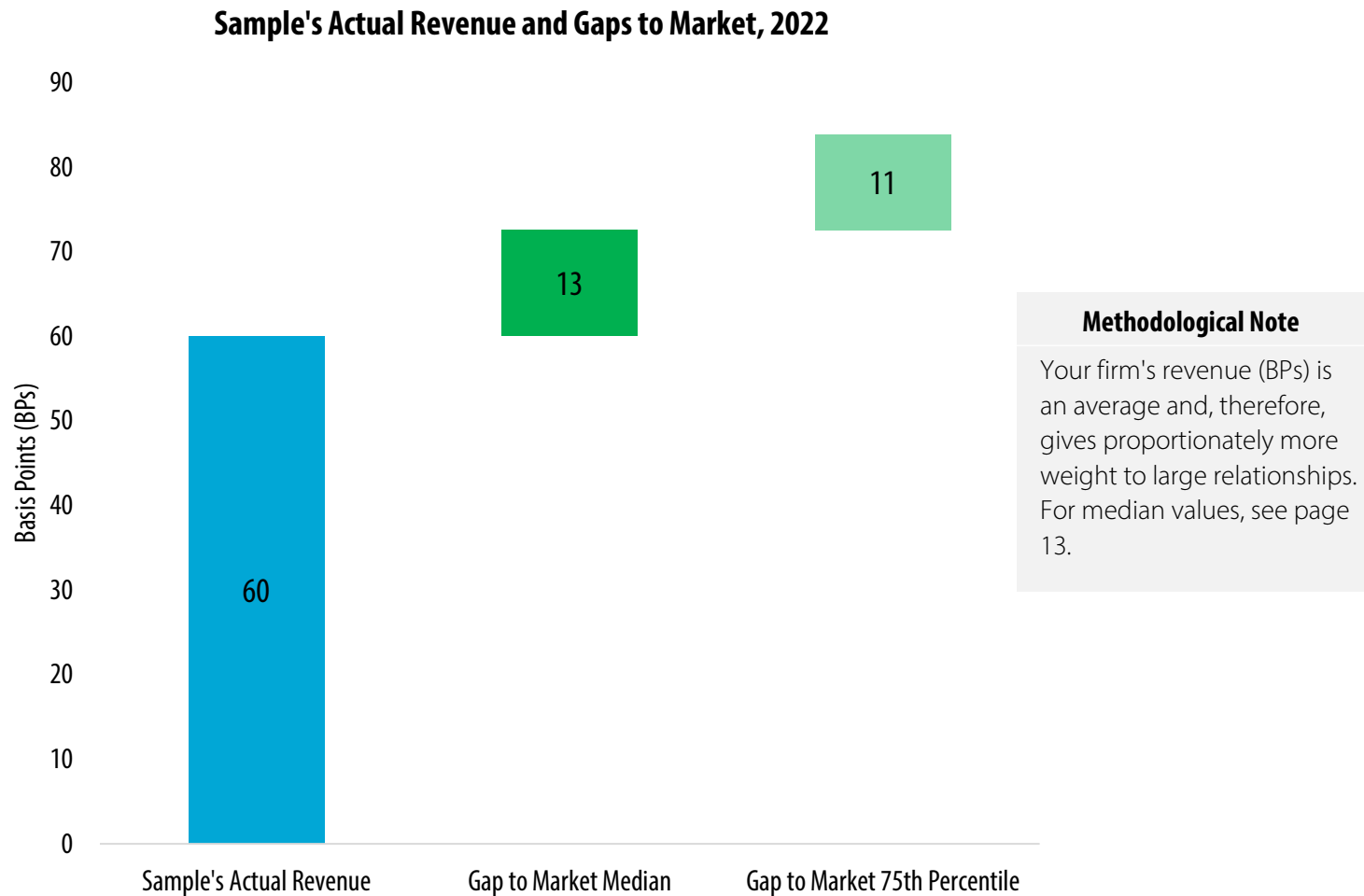


# OPPORTUNITIES & OUTCOMES

Sample Bank

## ESTIMATED REVENUE OPPORTUNITY

Across its entire book of business, we estimate that Sample Bank earns about 60 BPs per dollar of AUM. The firm's gap to market is about 13 BPs, which represents the additional revenue that the firm would earn if each household earned at least the industry median revenue for similar households (in green, middle). If each household earned the industry top quartile revenue for 'like' households, Sample Bank would realize an incremental 24 BPs in total.



Notes: These estimates may understate the true potential of realization improvements since industry revenue benchmarks include (and are deflated by) countless discounts, huge variations in fees, relationship prices, legacy schedules, and other factors.

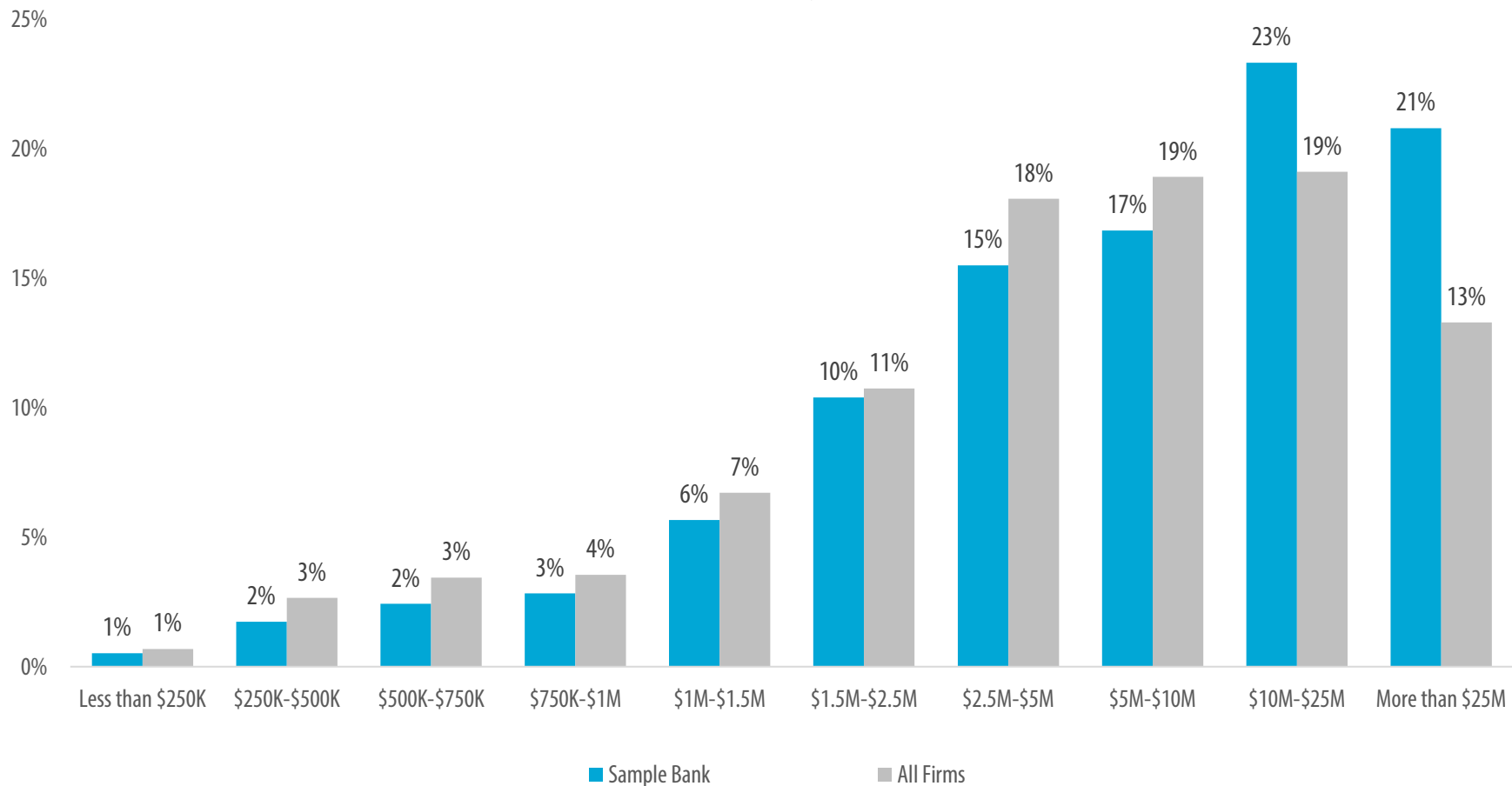
# OPPORTUNITIES & OUTCOMES

Sample Bank

## DISTRIBUTION OF ASSETS BY HOUSEHOLD SEGMENT

The remainder of this research seeks to identify where gaps exist in your book of business and how you might reduce the number of gaps on new business. To provide essential context for achieving this goal, the chart below shows the distribution of assets by client size. Households with \$10,000,000–\$25,000,000 in assets represent Sample's largest pool of assets, followed by households with more than \$25,000,000. Pricing or discounting changes that impact these households will often have the greatest impact on revenues.

**Distribution of Assets by Household Size**



Notes: The households may have products and services that are not included here such as estates or large credit relationships.

# 2 STATED FEES

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## **Sample Bank**

- Irrevocable Trusts
- Investment Management Agency
- Revenue Ceiling



## SECTION 2

### What's in this Section

#### Your firm's stated fees relative to market benchmarks

- Key questions: Where are fees in relation to market benchmarks? Do fees accurately reflect the firm's desired positioning (e.g., as a premium service, as a low-cost provider)?
- Note: For brevity, fees for only two services are shown in this section. Data for other services, client segments, and channels are available to all participants upon request; please contact our team.

#### Your firm's revenue ceiling

Key questions: For a given household, what is the total revenue implied by your firm's fee schedule and pricing methodologies? In other words, what is the maximum revenue (or 'ceiling') your firm could earn from a given piece of business?

### Our Take

#### Stated fees that are higher than market benchmarks yield the best revenue outcomes

- Higher stated fees are correlated with a higher return on assets (i.e., more revenue per dollar of AUM). We have observed this relationship in our research over a period of several years and using multiple methodologies.
- The perceived risks of higher fees are likely overstated. Notably, we have been unable to find evidence that firms with higher fees pay a sales penalty.
- With caveats, we believe that clients are price inelastic. Fees are a consideration for prospective clients when making a buying decision, but they are usually less important than expectations about quality and investment performance\*.
- These and other considerations are documented in our March 2023 white paper on the topic of stated fees. [Click link to access.](#)

# STATED FEES

## IRREVOCABLE TRUST

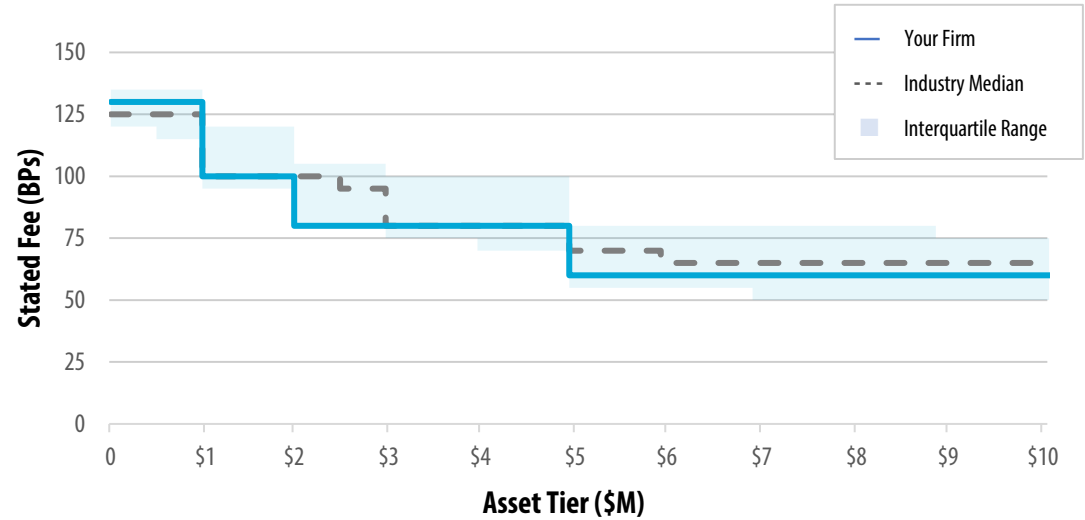
Sample Bank

### Stated Fee by Asset Tier, Irrevocable Trust, Revised 2017

Stated fee refers to the price that appears on the schedule. It does not include base or flat-dollar fees. 7% of firms use a base fee.

Asset Tier	You	Median	25th	75th
Under \$500K	130	125	120	135
\$500K-\$1M	130	125	115	135
\$1M-\$2M	100	100	95	120
\$2M-\$3M	80	95	80	105
\$3M-\$4M	80	80	75	100
\$4M-\$5M	80	80	70	100
\$5M-\$10M	60	65	54	80
\$10M-\$25M	60	60	50	70
\$25M-\$50M	60	60	50	70
Minimum	\$3,500	\$5,000	\$3,000	\$7,500

+ Top Quartile — Bottom Quartile

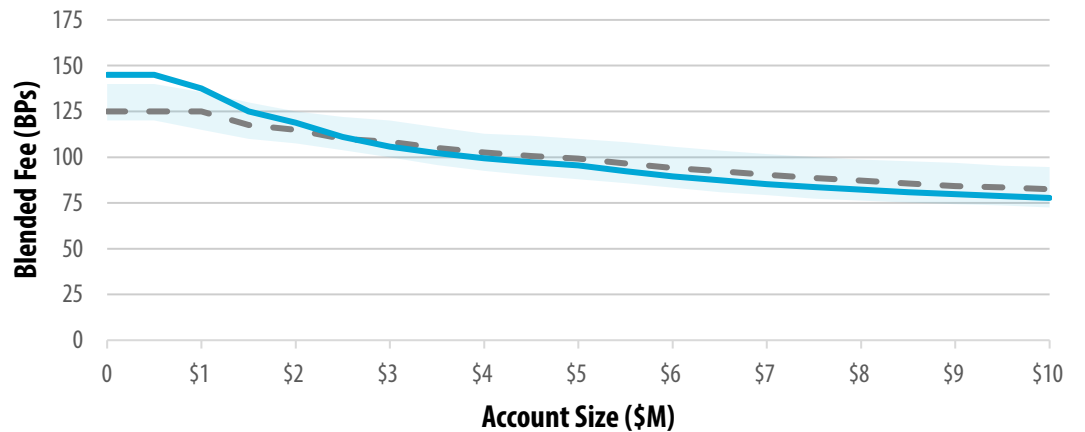


### Blended Fee by Account Size, Irrevocable Trust, Revised 2017

Blended fee refers to the total implied fee revenue for an account of a given size, including any base or flat-dollar fees (e.g., on a schedule that charges 120 bps under \$1M and 100 above \$1M, a \$2M account will have an average fee of 110 bps).

Account Size	You	Median	25th	75th
\$500K	+ 145	125	120	140
\$1M	+ 138	125	115	136
\$2M	119	115	108	125
\$3M	106	108	100	120
\$4M	99	103	93	113
\$5M	96	99	88	110
\$10M	78	83	73	95
\$25M	67	68	59	80
\$50M	64	63	55	74

+ Top Quartile — Bottom Quartile



# STATED FEES

## INVESTMENT MANAGEMENT AGENCY

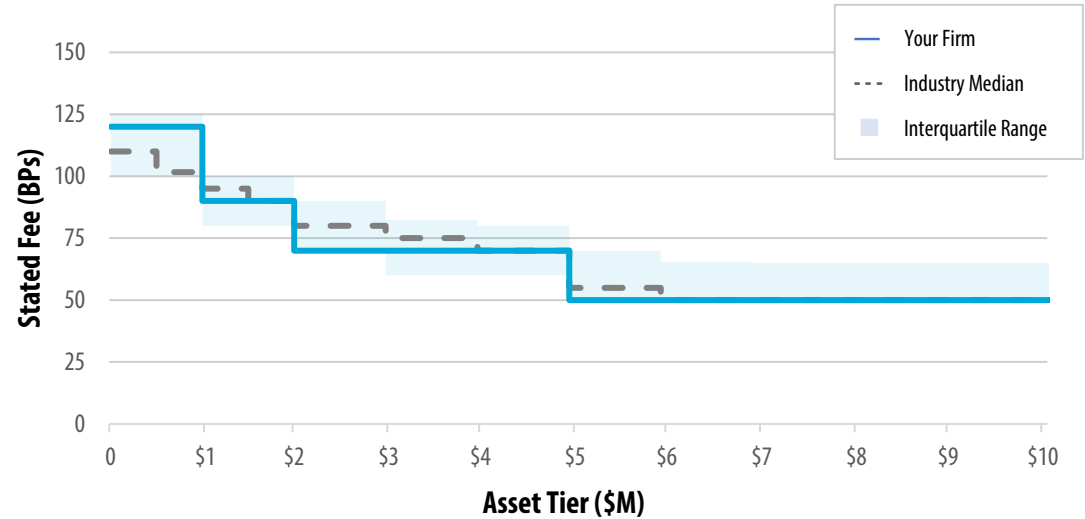
Sample Bank

### Stated Fee by Asset Tier, Investment Management Agency, Revised 2017

Stated fee refers to the price that appears on the schedule. It does not include base or flat-dollar fees. 6% of firms use a base fee.

Asset Tier	You	Median	25th	75th
Under \$500K	120	110	100	125
\$500K-\$1M	120	102	100	125
\$1M-\$2M	90	90	80	100
\$2M-\$3M	70	80	70	90
\$3M-\$4M	70	75	60	83
\$4M-\$5M	70	70	60	80
\$5M-\$10M	50	53	50	66
\$10M-\$25M	50	50	43	60
\$25M-\$50M	50	50	40	60
Minimum	\$3,500	\$5,000	\$2,500	\$8,750

+ Top Quartile — Bottom Quartile

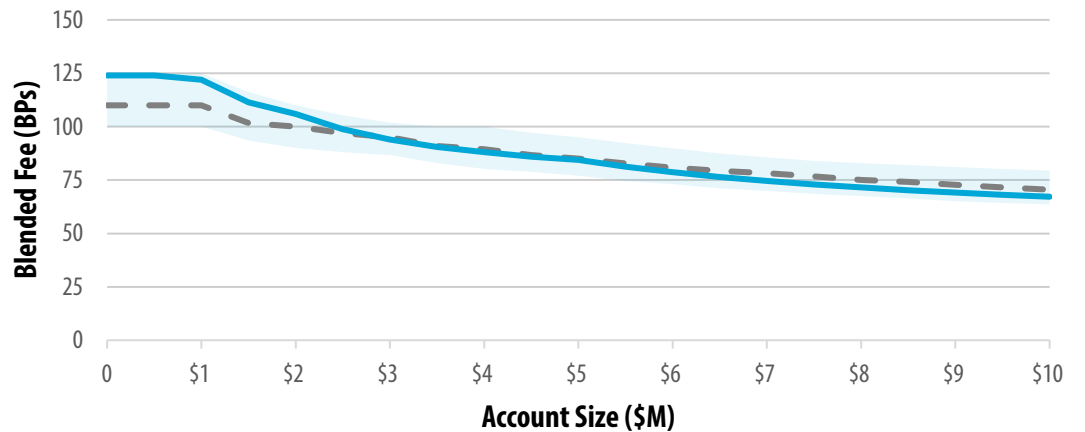


### Blended Fee by Account Size, Investment Management Agency, Revised 2017

Blended fee refers to the total implied fee revenue for an account of a given size, including any base or flat-dollar fees (e.g., on a schedule that charges 120 bps under \$1M and 100 above \$1M, a \$2M account will have an average fee of 110 bps).

Account Size	You	Median	25th	75th
\$500K	124	110	100	125
\$1M	122	110	100	125
\$2M	106	100	90	110
\$3M	94	95	87	102
\$4M	88	89	80	100
\$5M	84	85	77	95
\$10M	67	71	64	79
\$25M	57	59	52	67
\$50M	53	54	48	63

+ Top Quartile — Bottom Quartile



# 3

## REALIZED FEES

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### What's in this Section

*Section 3 is organized around two key revenue metrics: realization rates and gap to market.*

#### Your firm's realization rates

Realization rate is the first of two key revenue metrics explored in Section 3. Your realization rate is the percentage of your stated fees that your firm realizes as revenue.

#### Your firm's gap to market

The second revenue metric, gap to market, represents the difference between revenue your firm earns on a given piece of business and the revenue that other firms earn for similar business.

*The second-half of section three seeks to understand how your realization rates and gaps to market vary for different offices, RMs, and business of different vintages, etc.*

### Our Take

*By household segment, these seem like high-potential opportunities:*

#### Realization rate opportunities

Some of your best opportunities to improve realization rates are with clients that have \$5,000,000–\$10,000,000 in assets.

#### Gap to market opportunities

If Sample Bank were to earn the median industry revenue for all households with more than \$25,000,000 in assets, it would realize an incremental 20.9 basis points on assets for those households.

Households with \$5,000,000–\$10,000,000 in assets are another segment where the firm has strong revenue opportunities.

Note: the opportunities listed above do not necessarily represent your firm's lowest realization rates or largest gaps. Rather, these opportunities apply to household segments that represent at least 10% of assets and also have realization or gap to market opportunities.

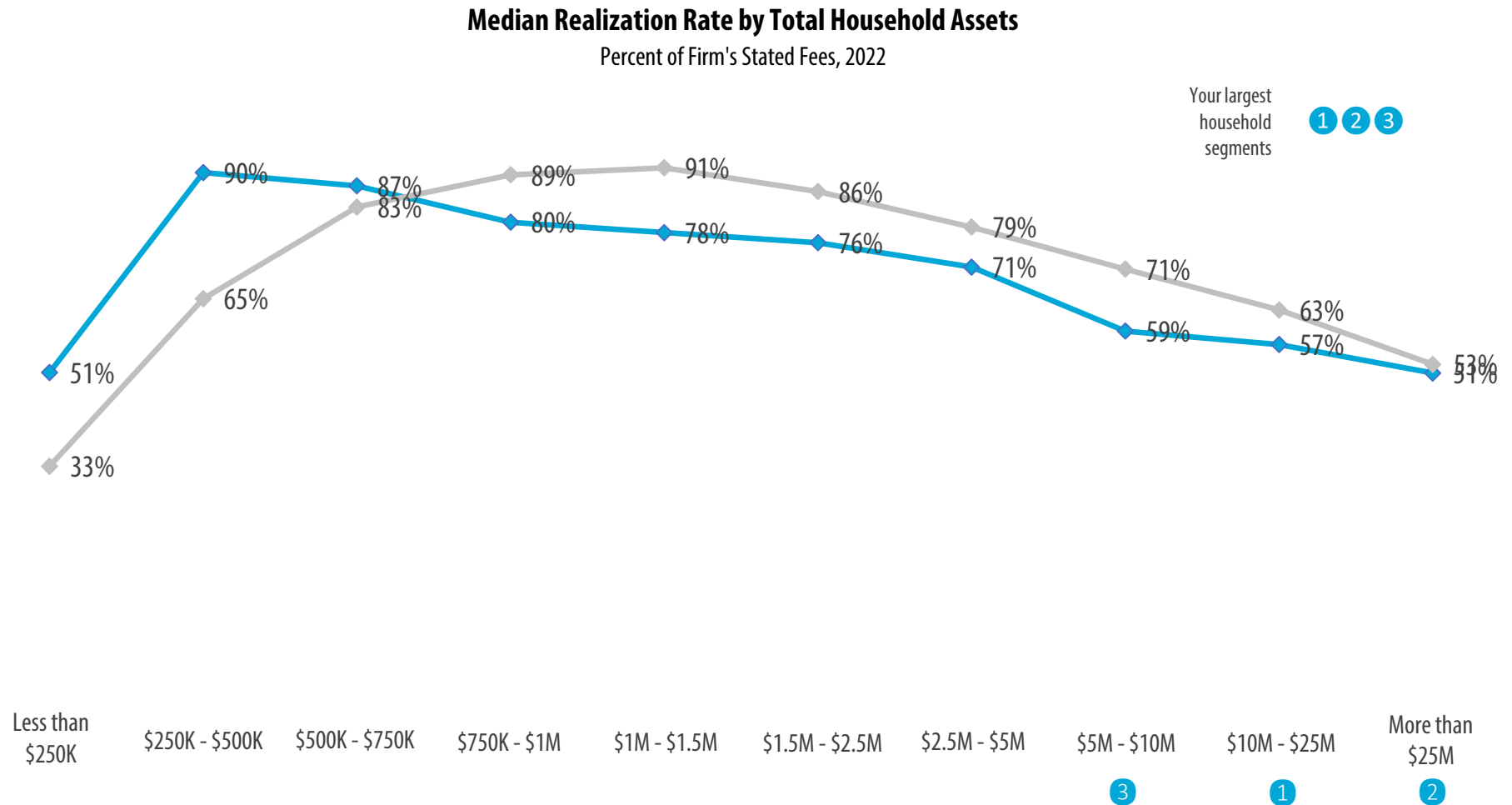


# REALIZED FEES

Sample Bank

## MEDIAN REALIZATION RATE, BY HOUSEHOLD SIZE

The median realization rates by household for your firm (blue) and all firms (gray) are shown below. Realization rates are usually less than 100% due to discounts, lack of active price management (e.g., legacy schedules), and myriad other exceptions. For all firms, they tend to be lowest for very small and very large clients, albeit for different reasons. For smaller relationships, they are depressed by lax minimum fee enforcement. For larger relationships, firms are more likely to customize fees which can lead to more variation in revenue outcomes.



Notes: Realization rates may be especially low for households below \$1M due to minimum fee enforcement and above \$10M due to customization for UHNW clients.

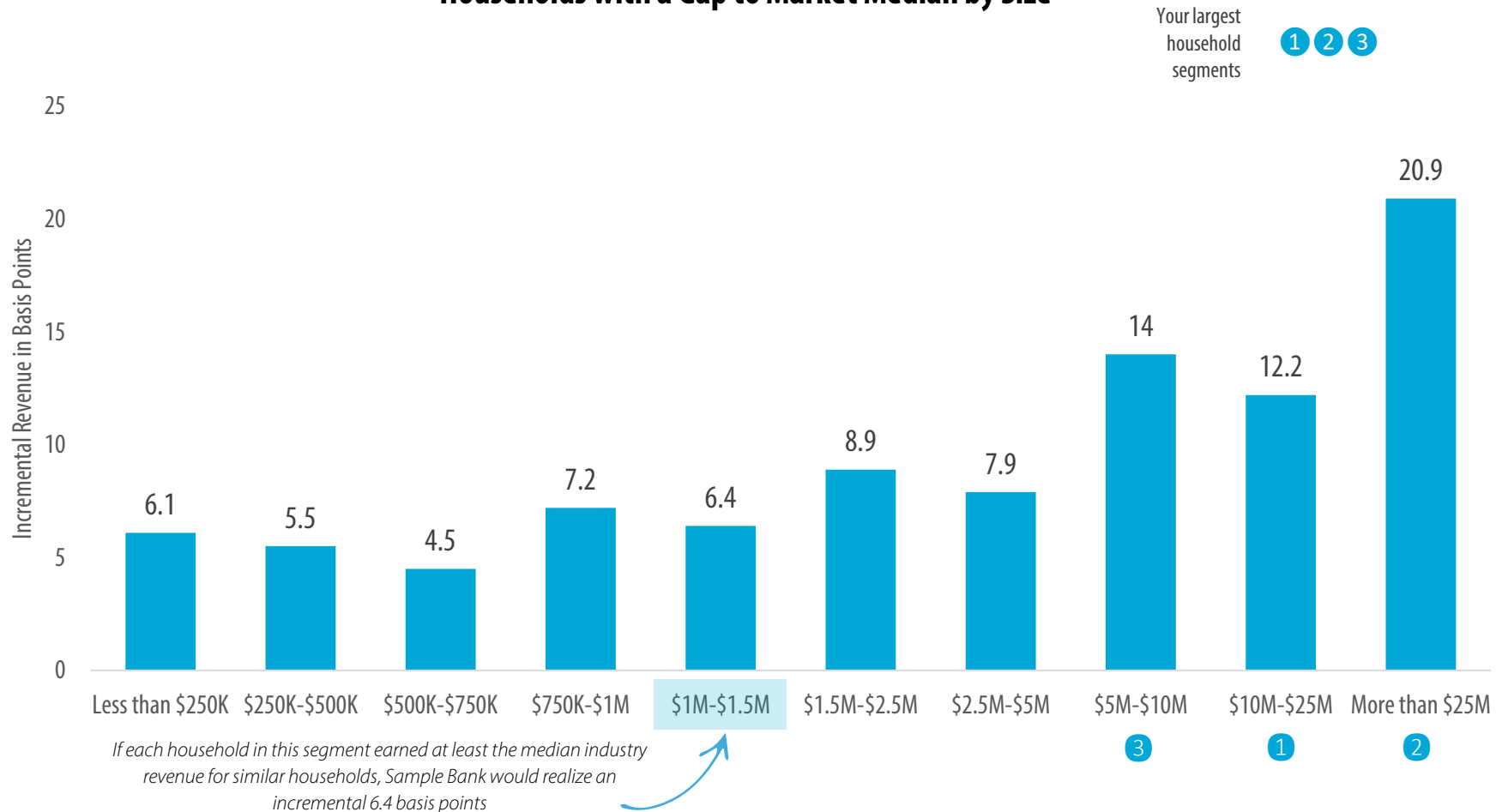
# OPPORTUNITIES & OUTCOMES

Sample Bank

## GAPS TO MARKET REVENUES, BY HOUSEHOLD

Your revenue opportunity is also defined by a complementary metric, gap to market. The exhibit below shows the gap to market within segments of Sample's book of business. Each of the numbers, in basis points, represents the total revenue deficit for households that earn less than the median revenue for similar households served by other firms. For example, if all of Sample's households with \$1M to \$1.5M in assets earned at least the industry median revenues for similar households, the firm would earn an incremental 6.4 basis points on their assets. In total, about 41% of the firm's households have a gap to market revenue benchmarks. The sum of these gaps represents a revenue opportunity of at least \$6.8M.

### Households with a Gap to Market Median by Size



Notes: Incremental revenue is the sum of all gaps to median revenue for all households that have a gap in that asset band.

# OFFICES

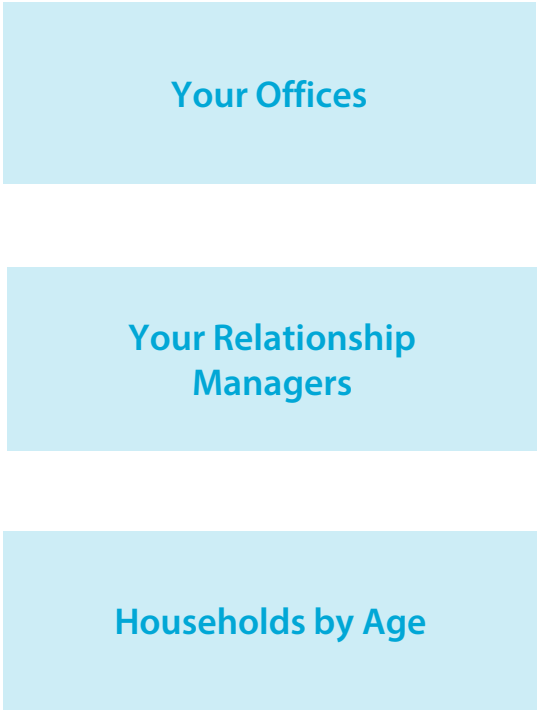
Sample Bank

## GAP TO MARKET REVENUES

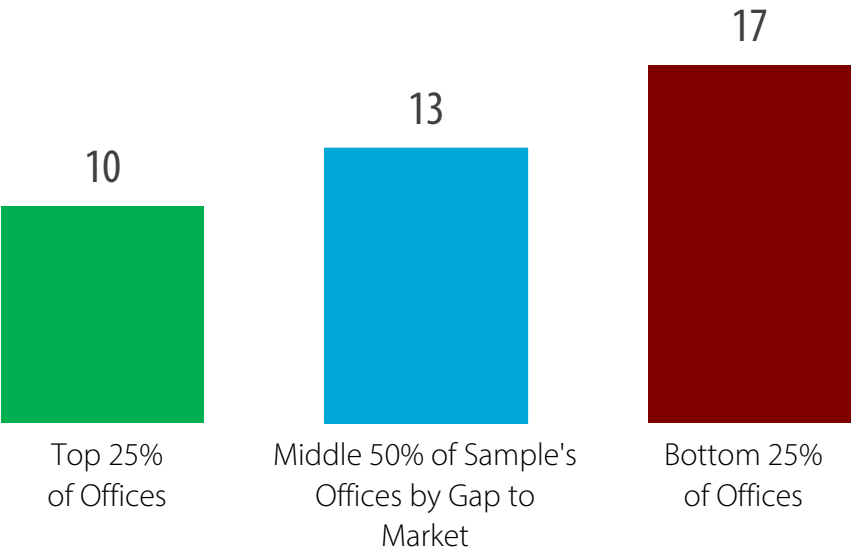
The balance of this research analyzes realization rates and gaps to market by office, relationship manager, and by relationship inception date. For many firms, at least one of these characteristics contributes to variations in revenue outcomes. For example, the manager of a particular region or office in your footprint may have a more relaxed policy about discounts than others, which may lead to lower realization rates. Identifying these patterns can help surface sources of incremental revenues.

At right, it is common for the bottom 25% of offices to have more than twice the gap to market as the top 25%. In other words, the lowest-performing offices are disproportionately responsible for revenue leakage. This pattern is true for Sample Bank. If bottom quartile offices had the same performance as your top quartile, revenues would increase by at least \$1.5M.

### Section Outline



### Sample's Offices by Cumulative Gap to Market (BPs)



Notes: 'Top 25%' is defined as the offices with the smallest gap to market.

# OFFICES

## GAP TO MARKET REVENUES

### Interpreting Your Data

The figures at right are the incremental basis points each office would realize if it closed all gaps from households that earn less than median industry realized fees. In the industry, top offices have a gap to market of 7 basis points or less.

### Opportunity

- Aligning all offices with your top performers would represent an additional 4 BPs in revenue.

### Your Firm's Star Performers 🌟

- The top offices in your business have a gap of 11 BPs or less to industry median revenue.

### Industry Star Performers ★

- Sample Bank has no offices in the industry top quartile for the smallest revenue gaps.

Notes: Not all offices may be shown

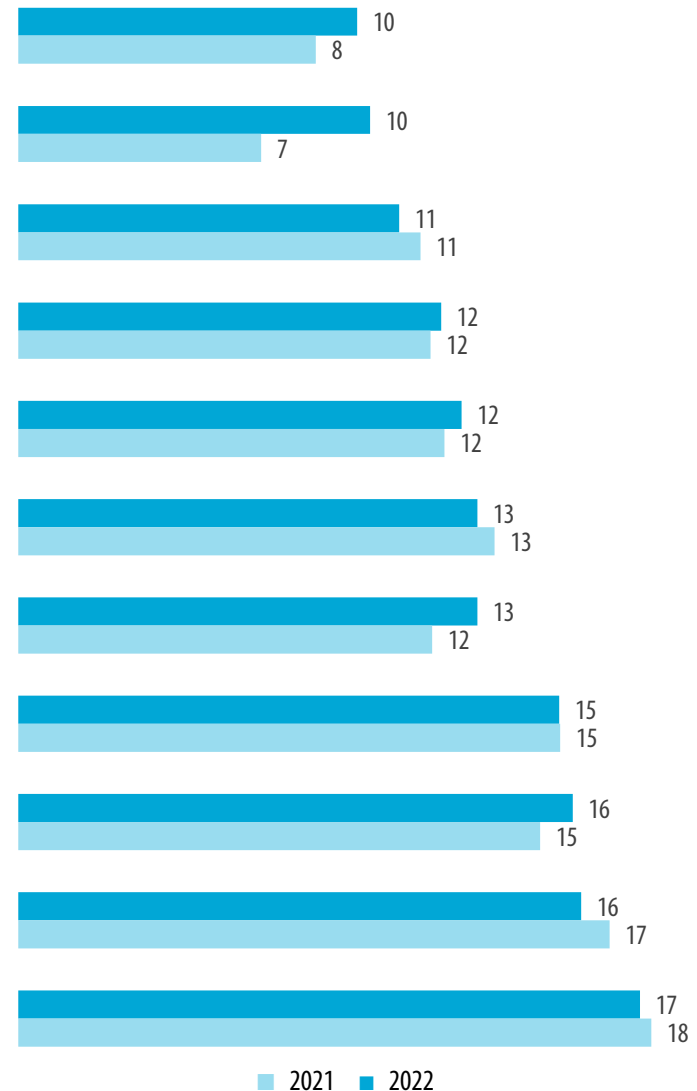
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Sample Bank

### Gap to Market, 2021 & 2022 (BPs)

Top 11 Offices by Total Actual Revenue

Office names redacted



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# RELATIONSHIP MANAGERS

Sample Bank

## GAP TO MARKET REVENUES

### Interpreting Your Data

The behavior of pricing decision-makers is one of the biggest determinants of pricing outcomes. At right are the incremental basis points each RM would realize if they closed all gaps from accounts that earn less than median industry realized fees. Basis points give a sense for which RM has the most gaps relative to the size of his or her book of business.

### Opportunity

- Aligning all RMs with your top performers would represent an additional 5 BPs in revenue.

### Your Firm's Star Performers ★

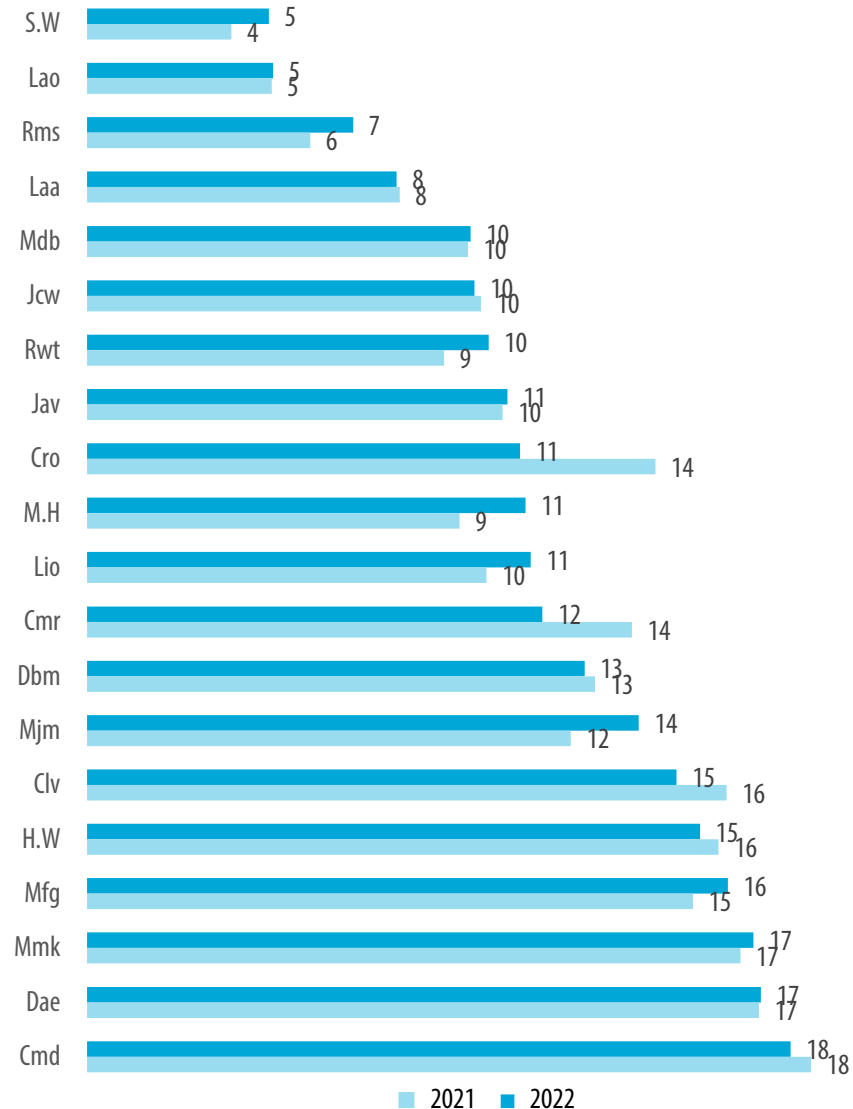
- The top RMs in your business have a gap of 9 BPs or less to industry median revenue.

### Industry Star Performers ★

- Sample Bank has three RMs in the industry top quartile for smallest revenue gaps.
- In the industry, top relationship managers have a gap to market of 5 basis points or less.

### Gap to Market, 2021 & 2022 (BPs)

Top 20 RMs by Total Actual Revenue



Notes: Not all relationship managers may be shown

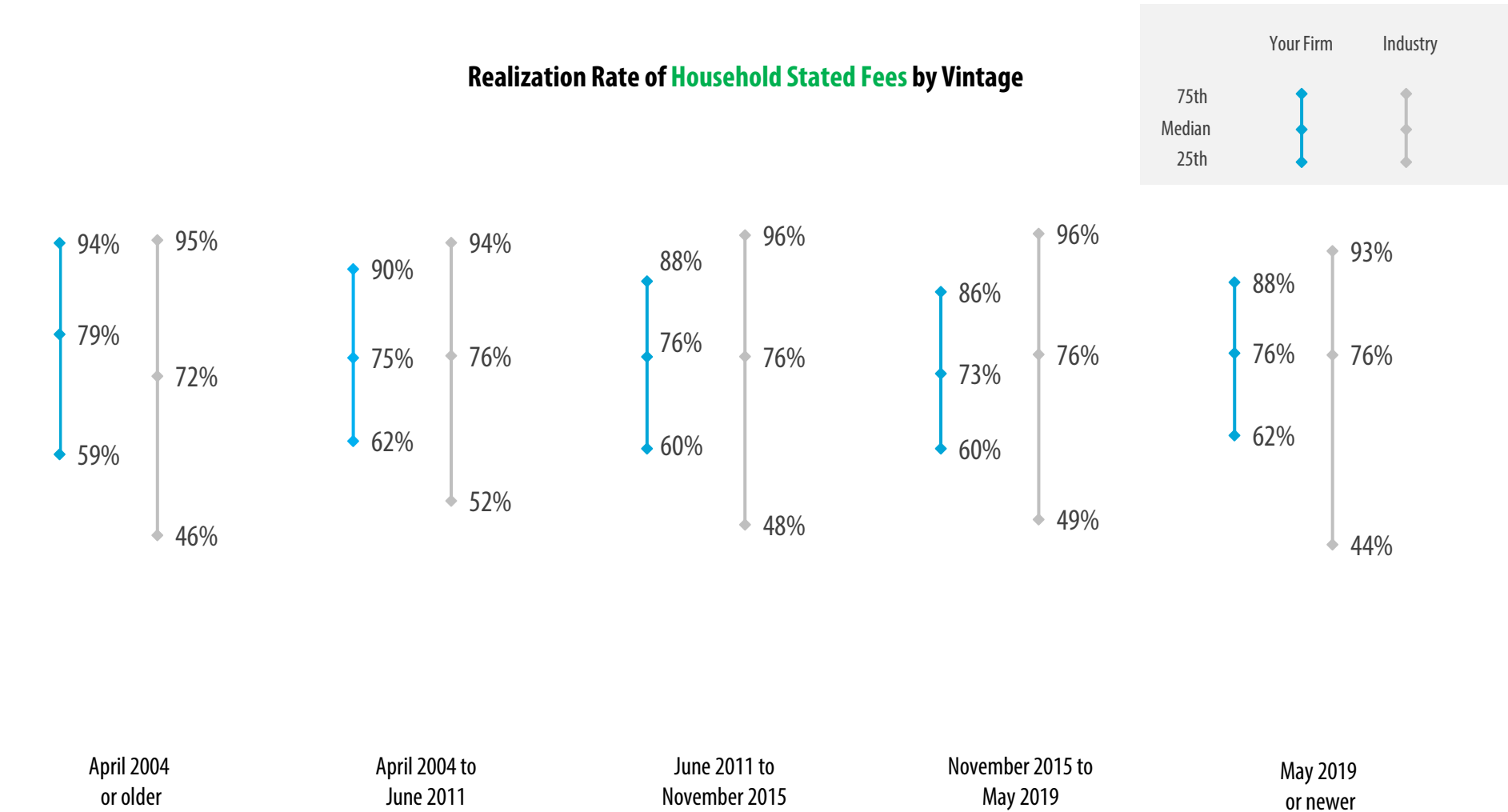
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Price Insights  28

REALIZATION RATE, BY VINTAGE

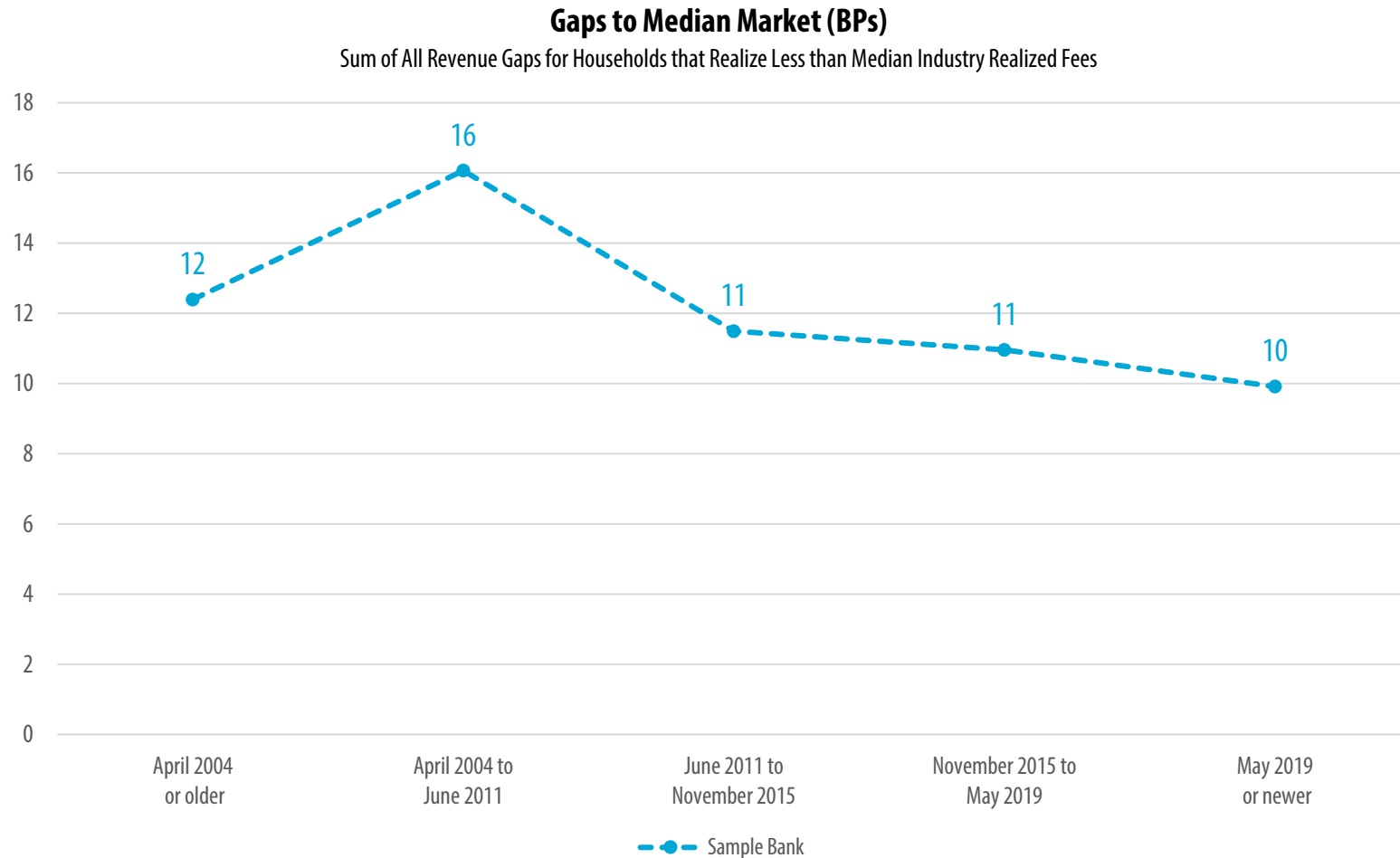
Industry realization rates are roughly flat over time (e.g., the median value on each of the gray lines is fairly stable). Declines in realization are consistent with higher rates of discounting. Ideally, your firm's realization rates (blue bars) should be stable or trending upward.



Note: \*For your product and asset mix to have a significant impact on the location of your blue dots, they would have to be meaningfully different than industry norms. Our view is that stated fees and realization rates are likely to be more varied than other characteristics and, therefore, will have a greater impact on the chart above for most firms.

**GAP TO MARKET, BY VINTAGE**

The chart below displays the gap to the market median for your realized fees at specific intervals. Ideally, Sample's gap to market (blue line) should be stable or trending downwards, which would be consistent with greater fee discipline over time.



## EVIDENCE-BASED PRICING AND DISCOUNTING BEST PRACTICES

### 1. ACTIVELY MANAGE PRICE

#### Observations

- Prices are often static/unmanaged ("set and forget"); schedules are old
- Clients are accustomed to price increases
- Firms face continual expectations to improve the service experience (e.g., digital)

#### Action

- Empower a senior manager (or committee) with responsibility for managing pricing outcomes, not just approving discounts.

### 2. MAINTAIN FEE INTEGRITY

#### Observation

- Discounts remain widespread; they impair business economics and create brand and discrimination risks

#### Action

- Oversight committees, codified rules, discount tracking, discounts that expire are examples of good practice
- Put in place 'hard' minimum fees (non-circumventable) at the account or household level, as well as minimum annual revenue thresholds
- Firms need transparency around relationship pricing practices to limit their substantial costs, e.g., codified rules and prices

### 3. LIMIT PRICING DISCRETION

#### Observation

- Many firms trade fees for short-term new business goals
- Discretion causes variability in outcomes, which yields subpar results
- Most employees lack information to make good pricing decisions

#### Action

- RMs, FAs, sales officers, and also managers should be given only limited or no discretion to give discounts or set fees without approval

### 4. PRICE WITH PRIDE

#### Observation

- Wealth management is a premium service. In sales situations, conversations about fees often reflect a failure to convey value
- Firms are better off losing poorly-price business; "No" helps strengthen culture

#### Action

- Firms need to practice effective value conversations at the individual RM/sale officer level (sources of differentiation)
- Employees must be empowered to say no (if not, they are price takers).

### 5. MEASURE PRICE PERFORMANCE

#### Observation

- Median realization rates are only  $\approx 70$  percent of stated fees
- Individual employees develop pricing habits. When pricing outcomes are opaque, effectiveness is difficult to measure

#### Action

- Quantify your gap to industry realized fees, set recapture goals
- Include gap to industry realization as a core metric for evaluating sales
- Create transparency around pricing and realization outcomes to enable coaching and development, e.g., percent of fee schedule realized by employees

### 6. DEBUNK MYTHS

#### Observation

- Pricing myths help people avoid difficult conversations and explain suboptimal outcomes ("It is different in my market")
- There is no evidence that 1) firms pay a sales penalty for having higher fees or 2) that pricing outcomes vary significantly by geography

#### Action

- Myths fill leadership vacuums; adopt a posture of polite skepticism





# Helping you make **WISE** decisions

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[www.wiseinsights.com](http://www.wiseinsights.com)

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