

Growing wealth

Long-term strategies and differentiation remain key for advisers to attract the province's wealthy



John Nicola, founder and CEO, Nicola Wealth Management

W

RICHARD CHU

With the proportion of the country's millionaires in B.C. growing, the market for wealth-management firms would seem vast. But competition remains fierce in an increasingly challenging market where profitability is not as assured as it used to be.

Some of the chief challenges facing the sector revolve around the demographics of the rich. According to Toronto's Investor Economics, about 40% of Canada's millionaires are already 65 years of age, and the proportion of baby boomer households with financial assets in excess of \$1 million will only increase over the next decade.

That demographic reality is leading to a shift in the risk profile of investors. From a focus on relatively more aggressive portfolio asset growth, retiring baby boomers have been shifting toward more conservative goals of wealth preservation and investments generating cash flow used to fund retirement or philanthropic endeavours.

A McKinsey report suggested boomers were most interested in investment strategies that not only mitigated any decline in the performance of their investments, but also included a plan to deal with any unforeseen medical expenses or health issues that might eat into a retiree's portfolio.

To grow business, however, wealth-management firms have needed to not only cut costs, but struggle to increase their market share. Some smaller firms have resorted being acquired by bigger

players in the industry to create economies of scale. However, organically growing market share has been more challenging for firms in an era where investor trust of advisers was rocked by the massive declines in equities following the financial crisis.

But some firms have been taking advantage of the market turmoil.

Macquarie Private Wealth, which was formed initially from the acquisition of Blackmont Capital a couple years ago, has grown its number of investment advisers by nearly 20% and continues to grow its assets under management to \$13.7 billion. Peter Maher, the global head of Macquarie's banking and financial services group, told *Business In Vancouver* that it's managed to grow its business by providing various investment strategies that suit the various types of high net worth clientele managed by their advisers.

Among the fastest growing wealth-management firms in Canada is Vancouver's Nicola Wealth Management, which has seen its revenue and profit more than double over the past five years, with assets under management rising 150% to \$1.2 billion.

A combination of strengths has helped keep the company growing even during the downturn. As a fee-based wealth-management firm, Nicola Wealth has remained focused on providing an investment strategy emphasizing cash-flow-based investments to a target market of incorporated professionals, busi-

ness owners and executives.

"Our market is very defined, and remains very defined," said John Nicola, the firm's founder and CEO. "We want to invest in a way that makes sense for us as owners [of the business] and for our clients."

To reduce market volatility, the company focuses on building and managing a diversified investment portfolio that not only includes public equities, but a range of assets from mortgages, bonds and real estate to precious metals and private equity.

The strategy has kept the company growing through basic word-of-mouth referrals and relatively little marketing.

While the company does continue to attract wealthy investors who may be shopping for a new adviser, it is looking beyond boomers as it develops and grows its business. In addition to mentoring younger advisers with experienced professionals in the firm, Nicola Wealth also attracts young professionals as clients who are just beginning their careers. While many have modest portfolios, or even just debt, Nicola said these financial-planning clients have the potential to become wealth-management clients in the future.

"If you start working with someone in their 30s, you can develop a long-term relationship that holds over time," said Nicola. "I'm very cognizant of the fact that having younger business owners and executives as part of our client base is quite important." ■