

Independent Asset Manager Vs. Private Bank—Which One Is Better For You?

By Jamie Vrijhof-Droese



After accumulating a certain amount of wealth, you will have to think about where and how to invest it. There are plenty of options out there. Should you decide to work with a professional partner and not do it all by yourself, you have two main choices. Going to a bank and getting advice from their relationship managers or selecting an Independent Asset Manager (IAM).

Depending on your needs, there are advantages and disadvantages to both options.

If you go to a bank, you will most likely end up in the private banking department. This is the area of the bank that specializes in personalized services and

products offered to high net worth individuals (usually clients exceeding a net worth of US\$1 million). Private banking entails different services but the most prevalent one is wealth management. The bank assigns you a relationship manager that handles your portfolio and all matters related to your account.

An IAM is a wealth manager who works independently from banks. They are usually boutique companies that are family-owned and managed. They do not hold any money themselves, but rather help you open an account at private banks and then receive a third party power of attorney over the account.

This allows the asset manager to receive information on the account and invest it according to a predefined investment strategy. While the bank holds the portfolio, the investments and client communication all go through the IAM.

In 2010, the U.S. government unleashed the Foreign Account Tax Compliance Act (FATCA) to the world. This made it difficult for Americans to find banks offshore that were willing to work with them. FATCA requires banks to report assets held by U.S. clients to the IRS. The goal is to put an end to tax evasion. Now that FATCA has been in place for several years banks outside of the U.S. are more willing to work with U.S. clients again.

However, most of them only do so through a so-called registered investment advisor (RIA). This is an independent asset manager registered with the Securities and Exchange Commission (SEC). There are around 50 such service providers in Switzerland.

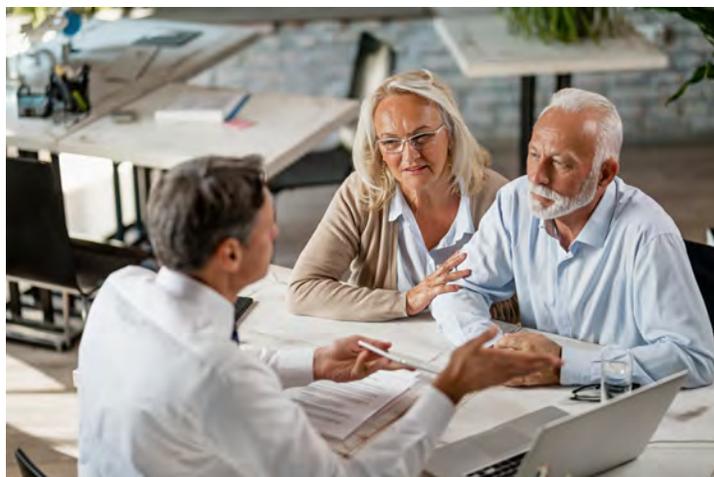
Being registered with the SEC means the company has to adhere to the fiduciary standard. The fiduciary standard requires that the IAM has to act in the best interest of its clients and to put the client's best interest ahead of their own. In the words of the commission who introduced the standard:

"An adviser's fiduciary duty means the adviser must, at all times, serve the best interest of its client and not subordinate its client's interest to its own. In other words, the investment adviser cannot place its own interests ahead of the interests of its client.

"This combination of care and loyalty obligations has been characterized as requiring the investment adviser to act in the 'best interest' of its client at all times. In our view, an investment adviser's obligation to act in the best interest of its client is an overarching principle that encompasses both the duty of care and the duty of loyalty."

If an IAM is registered with the SEC, it additionally enables the wealth manager to communicate with U.S. clients, travel to the U.S. for business, and promote their services in the U.S.

While the IAM acts as the contact person for administrative, regulatory, and investment related issues, the bank works as a back-office and custodian. Even if you do find a private bank that is willing to work with U.S. clients, there are many advantages with IAMs that you should consider before you move forward.



Specialized In U.S. Clients

Working with an SEC registered IAM you get the opportunity to work with a wealth manager who is specialized in putting together investment strategies and portfolios that are tailored towards U.S. clients.

You can find partners who help you truly diversify your wealth. You can achieve this by not only moving part of your wealth offshore, but by making sure that your offshore account completely excludes the U.S. dollar and U.S. stock market from your portfolio. This way you can reduce the volatility of your wealth and stabilize your overall performance.

Considering the jungle of regulations that affect the investments of a U.S. taxpayer, you can easily lose a considerable part of your gains when the investments are managed the wrong way.

For example, an investment in a mutual fund, ETF, or other product that is not compliant with U.S. regulations can result in an unfavorable taxation of the gains. Therefore, it is of utmost importance that you choose a partner who has a long-track record of working with Americans.

Independence When It Comes To Investments And Recommendations

Independent asset managers are independent because they usually work on a fee-only basis. They do not take any

money from any third party except for the management fee from the client. There is no hidden agenda and no selling of any products. IAMs usually do not sell or provide any in-house products.

At banks, employees have sales targets that jeopardize their independence and influence them in the advice they are giving you. Banks have countless in-house products that they have an interest in selling to you. An IAM has no incentive in advising you to do or buy anything that is not beneficial to you. You can rely on IAMs for absolute independence when it comes to their advice and management of the portfolio.

When choosing to work with someone always think about who pays them. If it is not you that pays them, their loyalty lays elsewhere. A relationship manager is paid by the bank and so their loyalty lies with their employer more often than with their client. Additionally, their advice is often limited since they would not offer you any product from the competition.

Continuity And Long-Term Relationships

At banks employee turnover rates are usually quite high. Employees are promoted, fired, and lured away by the competition. Relationship managers are building their corporate careers and change positions often every two to three years. This makes building a long-term relationship very challenging.

As mentioned earlier, IAMs are most often family-owned and managed. Once someone starts their own IAM company they are planning to do this until retirement and often even sometime after that. Company owners plan successions over a long time. This gives clients the chance to get to know the new generation coming in once the founder decides to take a step back. This allows you to build a relationship that lasts over decades and sometimes even generations.





Personalized Service

Private banking services have become more streamlined and rarely offer tailor-made personal services anymore. A private banker working for one of the larger Swiss private banks may manage as many as 1,000 clients. In contrast, IAMs usually do not manage more than 100 clients. With an IAM you also have direct access to the owners and managers of the company. This is not possible in a large bank with many branches in several countries.

Banks are competent when it comes to extra offerings like legal or tax advice, but their services and solutions might not be as comprehensive and creative as what you might get if you work with an independent specialist in that field.

While IAMs often have a focused offering, they pride themselves in their large network. Most often they have a vast network of professional partners who offer complimentary services like tax and estate planning as well as asset protection.

Overall Increased Flexibility

When selecting an IAM you are free to choose a contact person who suits your personal taste and who you feel most comfortable with. You don't just get assigned a random employee. Additionally to your relationship manager you also have the opportunity to get to know the portfolio managers. This enables you to have meaningful discussions on your investments and take a deep dive into the investment strategy. When working with a bank, getting into contact with the portfolio managers is usually not possible.

Working with an IAM you are flexible when it comes to choosing a custodian bank. The IAM works together with several different banks and you can choose which one suits you best. You can also open up two accounts at two different banks but still have the same contact person for both. Also, if at any point you are not happy with the bank anymore, your IAM can help you switch banks and your contact person stays the same.

Additionally, you can have different jurisdictions between the IAM and the bank. You can have an IAM in Switzerland and a bank account in the U.S. or an account in the European Union or any other combination that you can think of.

Since IAMs are smaller companies, they are much more agile when it comes to disruption in the industry. For example when it comes to technology, IAMs are freer to collaborate with startups who offer more digital solutions than banks. Technological advances can be seen not only in the IT infrastructure but also in the onboarding, reporting and most importantly the ongoing communication.

The agility of IAMs also allows them to make strategic changes quicker and more easily than large banks. Many industry trends like ESG investing or crypto currencies can be better and faster incorporated by small, dynamic firms.

More Competitive Conditions

IAMs often have lower minimum investment sizes than if you were to go to a bank. Private banks do not onboard

clients below US\$1 million but if you talk to different IAMs you will find companies that start working with minimums of US\$500,000 or even US\$250,000. Additionally, IAMs tend to receive more favorable pricing at the bank because they have significant assets there compared to if you, as a single client, would be talking to the bank.

Now What?

In conclusion, working with an IAM enables you to move money offshore in a compliant way, work with an independent partner, profit from a personalized service and

flexibility while also offering you conditions that are more competitive.

You see, there are many good reasons to work with an independent asset manager. However, in the end choosing the right partner for you comes down to your personal situation and preferences.

In your selection process take time to do your due diligence. Talk to different service providers, ask plenty of questions and make sure that you only settle once you feel fully comfortable with your counterpart. This is a long-term decision concerning your hard-earned money—do not feel pressured into making a rash decision. [SI](#)

About The Author



Jamie Vrijhof-Droese is a cross-border wealth management expert, public speaker, and writer. She is one of the Managing Partners at WHVP—a Swiss-based asset management company specialized in serving U.S. clients.

Jamie started her banking career over a decade ago at Credit Suisse where she worked in different departments including: Credit Risk Management, Consumer Finance, and Private Banking.

Her experience is topped off with several years of working experience as a Financial Planner specialized in providing tailor-made international insurance and investment solutions for high-net worth individuals. She has also worked as a Project Manager for a boutique-consulting firm, as well as for digitalswitzerland, a cross-industry association designed to strengthen Switzerland's start-up ecosystem.

Jamie is the co-author of "Swiss Money Secrets." She holds a Bachelor's degree in Banking and Finance, and is currently

obtaining her Master of Business Administration (MBA) from the University of St. Gallen.

WHVP is a Swiss-based independent asset manager specialized in managing the funds of international private clients. The company was founded in 1991 and has been registered with the Securities and Exchange Commission (SEC) in the United States since 2011.

WHVP is associated with several first-class private banks in Switzerland, Liechtenstein, and Austria which act as custodian banks for the client's accounts. Our focus is personalized service and our asset management principles are guided by conservative, long-term oriented capital preservation strategies.

WHVP structures a portfolio which will be insulated against U.S. dollar depreciation, yet capitalize on overseas investment opportunities.

If you are interested in learning more about how an independent asset manager can help in your personal situation, [please get in touch with us for a complimentary consultation.](#)