



INTEGRATING  
WEALTH  
MANAGEMENT:

# Profitability drivers, trade-offs, and strategic considerations

CO-AUTHORED BY: **Joe Calabrese**, *Chief Operating Officer, Key Wealth*

**Kevin Casey**, *Managing Director, Pathstone Family Office*

# Introduction

*One of the UHNW Institute's core initiatives focuses on the evolving landscape of integrated wealth management. The goal of this work is not to declare whether integration is inherently superior or inferior as a firm strategy – that determination rests with firm leadership, who must weigh client demand, organizational capacity, and the potential impact of expanded services on long-term firm value. Rather, the goal is to provide the reader with a summary analysis of the numerous profitability drivers that are critical to assessing whether providing integrated wealth management is the right strategy for the firm to enhance its value.*

## FOR CLARITY, THE FOLLOWING TERMS USED THROUGHOUT THIS WHITEPAPER HAVE THE FOLLOWING MEANINGS:

- “Clients” are typically multi-generational UHNW families who may or may not own operating businesses;
- “Services” include the full range of financial and non-financial services that are often required to serve the complex wealth management needs of these families; and

- “Integration” involves ensuring service delivery by internal and external resources is coordinated, effective, and responsive to all of the changing wealth management needs of these families. This includes ensuring all the interdependencies of financial and other family decisions are addressed.

We encourage readers to reference the UHNW Institute's *Wealthesaurus™* as a reference source for more expansive definitions of terms like these.

Too often “firm value” is viewed solely through the lens of shareholder returns. Yet in the context of ultra-high-net-worth advisory firms, value creation ripples far beyond owners. First and foremost, a “valuable firm” benefits clients: it has the capacity to meaningfully invest in the client experience, attract and retain top-tier talent, and fulfill its long-term promises across generations. Secondly, a “valuable firm” enhances opportunities for employees—not just in compensation but in career pathways, leadership development, and the preservation of a vibrant, stable firm culture. Finally, yes, a “valuable firm” rewards its owners, not just monetarily, but by establishing a legacy designed to endure.

At the heart of a “valuable firm” lies deep, enduring client relationships. As clients become more knowledgeable and discriminating, ultimately, they are the definitive judges of whether a business model aligns with their evolving needs—a reality reflected in firm growth, profitability, and client satisfaction.

## THIS PAPER WILL EXPLORE TWO KEY DIMENSIONS:

- 1. The Decision Framework** - Using a decision tree approach, we outline the critical macro-level questions every advisory firm should address when considering a shift toward integrated services. (See Appendix)
- 2. Profitability Drivers** - We will examine the fundamental profitability levers in our industry and assess how an integrated approach influences each, offering perspective on the inherent tailwinds and headwinds. (See pg. 4)

By unpacking these elements, we aim to equip firms with the insights needed to make informed, strategic decisions about the role of integration in serving today's most sophisticated clients.

Providing clients with a truly comprehensive offering—aligned with the Ten Domains of Family Wealth management defined by the UHNW Institute—is an ambitious and inherently complex undertaking. The decision to pursue integration carries profound consequences, and firm leaders must grapple with a series of critical, interrelated questions before embarking on this journey, such as:

- How will an integrated model reshape your service delivery approach?
- What do your clients truly desire, and which elements of integration will they value most?
- What are the implications for your technology infrastructure, workflows, and operating model?
- How will your firm's culture evolve to support greater collaboration—potentially requiring new team dynamics, governance mechanisms, and even supportive compensation frameworks?

Integrated wealth management is not simply a layering-on of additional services; it is a fundamental reshaping of a firm's business model. The more expansive the service offering, the greater the demands on coordination, expertise, and executional precision. With that expansion comes heightened operational complexity, increased



business risk, and—if not carefully managed—the possibility of drifting away from a firm's core competencies and foundational cultural DNA.

While this strategic move toward integration offers significant growth opportunities, it also introduces a host of financial implications that must be carefully considered. Key among these are questions of pricing power, appropriate pricing models, and the choice between building internal capabilities versus partnering with third-party providers. Drawing on the perspectives of industry experts, we believe the following core questions are particularly meaningful in sharing how integration will affect the financial performance of your firm:

**What is our current pricing model, and how will it need to evolve to reflect the provision of additional services?**

Does the firm, supported by a strong brand, possess

the pricing power to charge meaningfully for additional services. Or, will these services be delivered at reduced margins (or even at no additional fee or charge) in pursuit of other strategic objectives, such as improved client retention, enhanced client satisfaction, or consolidation of the relationship?

**Who will deliver the additional services, and how will we source the necessary capabilities?**

Will the firm invest in hiring and building in-house, or will certain competencies be outsourced to a third-party provider? If outsourced, will the firm retain oversight and supervision, or operate under a referral model with limited involvement? Additionally, how will costs be allocated? Will clients engage and compensate third-party providers directly, or will the firm absorb these costs as part of the integrated offering? Or will clients pay the firm additional fees for the additional services?

## Decision Tree – A Strategic Blueprint for Expanding Integrated Wealth Management Services

*The Integrated Wealth Management Decision Tree, detailed in Appendix A, offers a high level framework for evaluating the expansion of services across a wide range of wealth management enterprises. Designed for senior executives and strategic decision-makers, this model guides firms through a series of critical assessments that balance client demand, operational capacity, regulatory exposure, and financial viability.*

The process begins with a foundational question: Is there sufficient demand to justify expanding service offerings? This initial assessment distinguishes between strong and weak signals of client interest. This prompts firms to conduct a variety of diagnostic evaluations. These may include client surveys, competitive benchmarking, and internal performance reviews to determine whether the current business model is optimized or if there is a compelling case for enhancement.

Once demand is validated, we encourage a deep dive into **pricing strategy**. Firms must assess their pricing power and determine the most appropriate monetization model. Options will range based on perceived pricing power. For firms with strong brand equity and client loyalty, increasing the existing fee schedule may be viable. This can be done in various ways including implementing retainer-based or time-and-materials billing structures, or by increasing their AUM-based fees. Firms without pricing power will have fewer options and may need to bundle new services with existing offerings at no additional cost, challenging firm margins. In this case, lower margins may be justified if they are accompanied by improvements in client retention and the ability to attract the right clients, potentially resulting in an increase in total earnings.

Next, the model turns to **resource planning**. This involves a granular evaluation of internal and external capabilities. Firms must decide whether to in-source new services by

leveraging existing employees or hiring new talent, or to outsource through contractors, white-label partnerships, or a network of providers. Hybrid models such as co-sourcing or project-based engagements offer additional flexibility, particularly for firms navigating complex or evolving client needs. Details of the various options are provided in Appendix B.

A robust **risk assessment** follows, encompassing reputational, operational, financial, and regulatory dimensions. This step ensures that any new service offering aligns with the firm's risk tolerance and compliance obligations. The framework also addresses **legal structuring**. Firms must determine whether to house all activities within a single regulated entity—such as a Registered Investment Advisor (RIA)—or to isolate specific services in separate legal structures. This decision may have important implications for oversight, liability, and client transparency.

Finally, the model concludes with a thorough **expense analysis**, ensuring that the proposed service expansion is financially viable. This includes evaluating both fixed and variable costs, potential economies of scale, and the anticipated return on investment. One approach to conducting an effective expense analysis is to analyze the profitably drivers of the business by applying the DuPont Financial Analysis Model, as outlined below.



# Applying the DuPont Financial Analysis Model to Financial Services: A Customized Approach

*An insightful way to analyze the financial dynamics of integrated wealth management is to apply a customized version of the DuPont financial analysis model. Originally developed in the early 20th century by an engineer at DuPont, this framework was designed to break down return on equity (ROE) into its core components, enabling leaders to understand the underlying drivers of profitability and take targeted action to improve performance.*

Here's how it works. Traditionally, the DuPont model dissects ROE into three building-block ratios: **profit margin, asset turnover, and financial leverage**. By reworking the ratios to match specific wealth management industry attributes, the model can provide meaningful insights into performance drivers.

In this paper, we have tailored the DuPont framework to provide a clear, structured view of profitability drivers in our industry across three key dimensions: **client revenue, advisor effectiveness, and operational efficiency**. We will explore how expanding into integrated wealth management impacts these elements—recognizing that doing so introduces both headwinds and tailwinds for a firm's profitability.

## CUSTOMIZED DUPONT MODEL COMPONENTS

In this adaptation, we use Revenue/Total Expenses as a proxy for profitability. All profit-seeking firms are generally motivated to increase this ratio.

In turn, the profitability ratio—using the DuPont methodology—is broken down into four building block ratios. The magic happens by eliminating similar variables in the numerator and denominator resulting in the four building block ratios multiplying out to equal the overall profitability ratio. Again, this breakdown gives us insight into the four primary levers of profitability in wealth management. These are:

### 1. Revenue per Client: Maximizing Value Creation

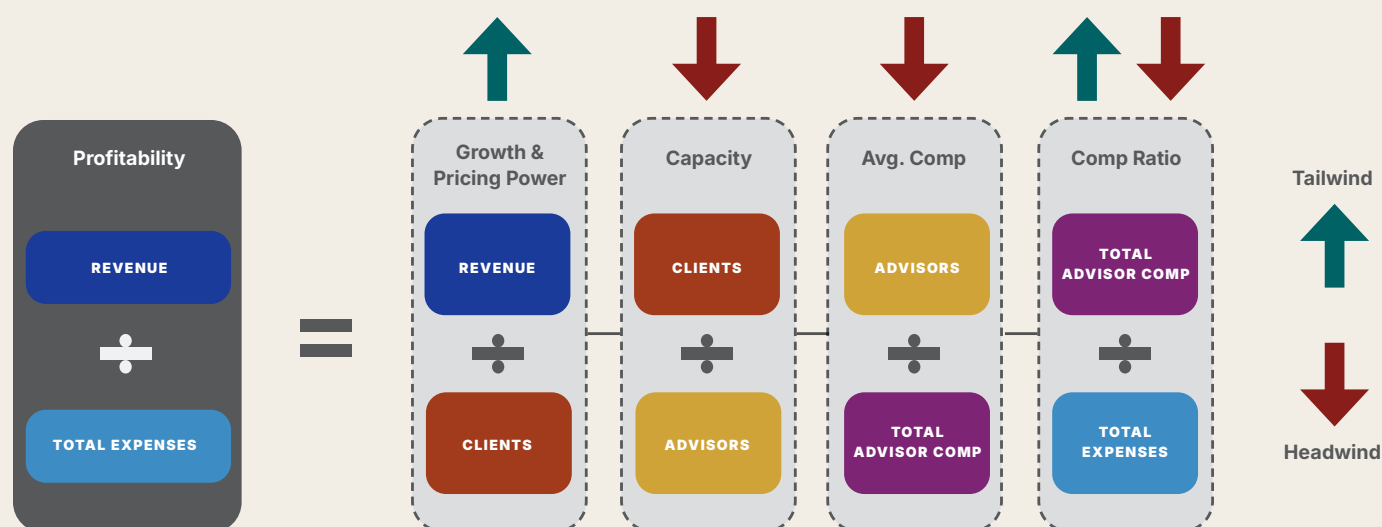
This ratio reflects the firm's ability to generate revenue per client by enhancing service offerings, broadening and deepening relationships, and expanding share of wallet. Providing integrated wealth management services can provide meaningful tailwinds here—accelerating growth through new avenues to engage families, strengthening the firm's value proposition as clients consolidate advice and improve pricing power by better aligning prices with the value delivered.

### 2. Clients per Advisor: Assessing Capacity and Scalability of Service

This ratio gauges the number of clients each advisor serves, the associated workload and the balance between efficiency and personalized service. A high ratio may signal overextension, risking diminished client attention, while a low ratio may indicate untapped capacity. This is an area where providing integrated wealth management services can be a challenge. The increased level of effort required to deliver an integrated solution could negatively impact an advisor's capacity. This decrease in capacity must be weighed against a potential increase in revenue per advisor, client retention rate and client satisfaction.

### 3. Advisor Compensation: Evaluating Cost Efficiency

This ratio examines how a firm's investment in advisory talent aligns with headcount, productivity, and market





compensation benchmarks. While a narrow focus on profitability could lead firms to minimize advisor compensation, doing so comes with hidden costs—notably, diminished ability to attract and retain top-tier talent.

As firms scale toward integrated wealth management, the expertise required increases, narrowing the talent pool and exerting upward pressure on compensation. Firms must balance this headwind against the potential for increased average revenue per client and enhanced client satisfaction. Notably, not all compensation methodologies are equal, and it is important to evaluate both cash compensation ratios with total compensation ratios which may include equity grants, distributions or other tangible benefits provided to employees.

**4. Compensation as a Share of Total Expenses: Maintaining Sustainable Cost Structures**

This ratio highlights how much of the firm's total expenses are allocated to advisor compensation, historically the biggest driver of cost in financial services. Maintaining a balanced ratio ensures that investments in talent do not overshadow critical areas like technology, operations, and compliance which oftentimes shape the client experience. Here integration introduces competing forces: on one hand, increased investments in technology, support staff, reporting, and specialized services (such as tax

compliance work or bill pay) create headwinds; on the other, the potential for accelerated growth offers a tailwind by helping amortize fixed costs and improve cost-efficiency over time.

This customized DuPont model provides a structured approach to analyzing profitability through the lenses of client revenue, advisor productivity, and cost efficiency. By focusing on these specific areas, we gain insights into how an integrated wealth model may affect a firm's profitability. A firm seeking to expand its service offering should model different pricing models and outsourcing scenarios to gain insights into how the strategy may affect profitability. A summary of how outsourcing impacts the DuPont Financial Analysis is contained in Appendix C. Using this framework, firms will be better positioned to create sustainable growth, drive client satisfaction, and maintain a balanced cost structure.

In sum, the Integrated Wealth Management Decision Tree is not merely a tactical tool—it is a strategic compass. It empowers wealth management leaders to make informed, deliberate decisions that align with their firm's mission, client expectations, and long-term growth objectives. By following this structured approach, firms can confidently navigate the complexities of service innovation while preserving the integrity and profitability of their core business.

# Integration in Practice

*Over the years we have evaluated hundreds of firms ranging on the spectrum of scale, core clientele and integration of services. While every firm and client base have their own nuances, clear trends have emerged around each type of service model which we will describe below using real-life examples of opportunities that we have been presented.*

|                                    | FIRM 1                         | FIRM 2                                         | FIRM 3                 |
|------------------------------------|--------------------------------|------------------------------------------------|------------------------|
| Service Model                      | Integrated through in-sourcing | Integrated as a coordinator with third parties | Investment-only        |
| Fee Structure                      | À La Carte                     | Bundled (BPS)                                  | BPS on AUM             |
| Revenue Composition                | 70% BPS<br>30% Retainer        | 100% BPS                                       | 95% BPS<br>5% Retainer |
| Core Client Assets (Advised)       | \$120M                         | \$50M                                          | \$75M                  |
| Average Annual Revenue per Advisor | \$3.0M                         | \$2.5M                                         | \$3.5M                 |
| Client Retention                   | 98%                            | 98%                                            | 97%                    |
| 3-Year Avg Organic Growth          | 10%+                           | 5-7%                                           | 2-4%                   |
| Normalized EBITDA Margin           | 35%                            | 30%                                            | 50%                    |

BPS = Basis Points (There are 100 basis points in a percentage point)



# Firm 1 – Fully In-sourced Offering

*Firm 1 has taken the approach of insourcing family office services and investments and strives to evolve that offering as their client needs evolve. Anecdotally, their strategy was twofold: i) in-sourcing allows for the advisor to control the client experience in a way that is not possible working with third parties and ii) having these services in-house allows for unique and creative ways to engage and build relationships with families and different points in their evolution (i.e., meeting a tax need) and outside of merely investments.*

## SOME OF THE UNIQUE TAKEAWAYS INCLUDE:

- **Fee model** – The most significant distinction with this firm is its approach to fees. It has taken an unbundled approach, allowing it to price based on the scope of each engagement, therefore ensuring the profitability of each relationship. Similarly, it allows for clear fee addenda as scope changes as well as the ability to engage for only parts of the offering (i.e., reporting-only, tax-only, etc.).
- **Relationship size** – The average relationship size of this firm is higher, but is indicative of a broader trend of consolidation of advice as clients seek a single point of contact. This has benefited the firm as they view (and bill) based on clients' total net worth rather than strictly what they manage directly. With a model where managing the money is not a necessity, large, complex families are not forced to uproot a long-term relationship with a third-party advisor, however, such a model can encourage that advisor to work collaboratively so their quarterback can accurately report on the entirety of the financial picture.
- **Organic growth** – The organic growth profile of this firm has been higher than others due to the multiple avenues of engagement with families. As an example, while they are willing to take on a \$100m client in cash and invest the money, many clients in transition are moving due to an event (i.e., generational transition in family, unique needs, transition in legacy advisory relationship and/or service relationship) and this approach allows the firm to craft its offering to be solutions-oriented rather than product-oriented.
- **Margin profile** – As discussed above, any business's margin profile is driven by its ability to price appropriately. Generally, we have seen successful investment businesses operate at 40-50% margins, as evidenced by Firm #3. However, the more specialized and labor-intensive family office services businesses historically operate at 15-20% margins. Firm #1 is an example of a blend of the two previously described profitability profiles at ~35%, however, it is worth noting that the margin profile can be greatly influenced by how new revenue is diversified between investments and family office services.

# Firm 2 – Investment-Oriented, Coordinator

*Firm 2 also has an investment-oriented offering, however, it positions itself as the central resource for a family by coordinating and synthesizing all the information from various specialists used by the family (i.e., accountants, attorneys, etc.). While not considered "integrated" by the definition laid out in the Wealthsaurus, the firm positions itself at the center of its clients' financial picture.*

## THE KEY DATA POINTS THAT HAVE EMERGED FROM THIS TYPE OF OFFERING INCLUDE:

- **Fee model** – Through our reviews, we have found this to be a difficult model for which to assign fees. These types of firms have typically added an additional layer of fees on top of other advisors' fees and this has not resonated well with clients. Under the basis point fee arrangement, the profitability and effective fee per family may be dramatically different in any given year based on how they consume advisory services. In some cases, a family may be paying the higher fee and have four straightforward meetings a year (high profitability). Other families may have unique projects each year where the incremental basis points are all but eaten away by the team's time and effort to provide this integrated, yet outsourced, experience.
- **Advisor capacity** – The inefficiency of this model is highlighted by the lower-than-average advisor capacity figure. While the core of the offering is still a very scalable investment platform, advisors are interfacing with multiple accounting or tax firms, multiple trust companies, etc. This creates inefficiency as deliverables, expectations, and data flows may differ wildly based on the third party. Rather than a standard way of operating, advisors are forced to consistently adapt to the needs of these unique advisory relationships, therefore driving down capacity.



- **Margin profile** – We have found that margin is a product of two primary elements (i) compensation and (ii) pricing. Since these firms compensate their team members through salary and bonus, pricing will drive the variability in their margin profile. With a fee model that does not compensate for additional time and the inefficiencies of working with multiple providers and the need to hire multi-disciplinary advisors/employees, the margin profile of these businesses can vary dramatically and oftentimes become challenged.
- **Growth** – Despite some of the operational and financial challenges of the model, the client experience still feels integrated—therefore we have seen growth continue to be strong in these types of organizations. Unless a client is sophisticated and asks the right questions, it may appear that, in many ways, it is an in-sourced model, and they look to their advisor as the coordinator of all things in their financial life. With that said, the headwinds to growth have been that the advisor still requires assets to engage with the family, as not many families are willing to pay a coordination fee (discussed further below).

## Firm 3 – Investment-Only

*Firm 3 is an investment-only firm that historically grew rapidly with the value proposition of unique access and differentiated investments. As industry and client needs evolved, it began to seek a strategic partner because client retention had become a concern, and new business had flattened in recent years.*

### SOME OF THE KEY TRENDS WE'VE SEEN IN SIMILAR BUSINESSES HAVE BEEN:

- **Advisor productivity/capacity** – Advisory capacity (i.e., revenue per advisor) is generally much higher in investment-oriented organizations. That is not surprising as delivering an investment product is much more scalable than many other professional services. These advisors do not get bogged down in tax, trust and estate, and other complex or one-off projects; rather they are focused on driving investment performance and identifying opportunities within client portfolios.
- **Organic growth** – While the business model of simply providing unconflicted, fiduciary advice in and of itself was historically a differentiator and driver of growth, the industry has evolved, and clients have begun voting with their feet. Overall, we have seen investment-only organizations develop slower organic growth profiles due to:
  - the challenge in selling and positioning performance over long periods of time
  - the difficulty in differentiating one investment platform from another as the world of investment has become more homogenized, and
  - clients demanding more from their advisors
- **Margin profile** – With compensation being generally the single largest expense for these firms, it is no surprise that an investment-oriented firm can run with a margin profile anywhere from 40-60%. The narrow scope of the offering allows these organizations to make minimal investments in technology and keep headcount lean, ultimately bolstering profitability.
- **Wallet share** – While not clear from these figures, one of the trends we have seen from investment-oriented organizations in recent years is struggles with wallet share. In other words, they are only given the opportunity to manage a portion of the client's overall asset base. While clients have found diversification through using multiple managers or advisors, it has created challenges from an asset allocation perspective if there is not a central quarterback understanding the full picture.



## Conclusion:

*In an era where ultra-high-net-worth families are demanding more than investment management, and have increasingly challenging needs, many firms are considering integrated wealth management. This paper has explored the multifaceted decision framework and profitability levers that define the integration journey.*

- The customized DuPont model reveals how integration reshapes the economics of a firm, from pricing power and resource planning to advisor productivity and cost structure.
- The real-world examples of in-sourced, coordinated, and investment-only models underscore that integration is a spectrum.
- Each firm must make a deliberate choice on how integrated they want to be, and that choice must reflect the firm's culture, capabilities, and client promise.

### **FOR LEADERS OF MULTI-FAMILY OFFICES, THE PATH FORWARD IS CLEAR:**

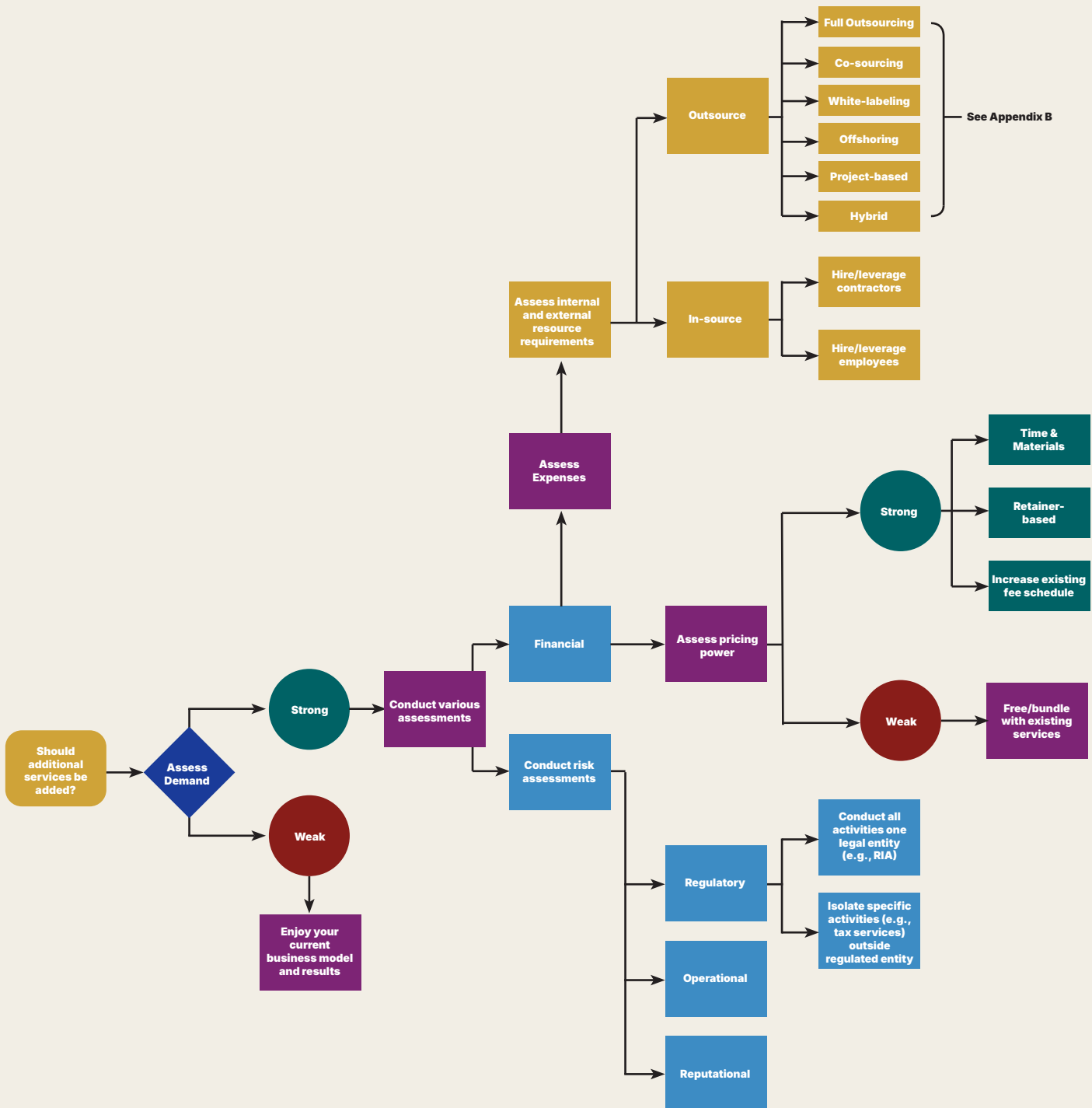
- If integration is to be pursued, it must be pursued with precision, not ambition alone.
- It requires commitment to operational excellence, talent development, and client-centric innovation.
- Done right, integration becomes a flywheel—deepening relationships, expanding wallet share, and creating a differentiated value proposition that endures across generations.

*Ultimately, the firms that thrive will be those that align their strategic intent with disciplined execution—where integration is not just a service model, but a reflection of their purpose, their people, and their promise to the families they serve.*





# Appendix A



## Appendix B

### Outsourcing Specialized Services

*When delivering specialized services—such as tax planning, family governance, and legacy planning—firms have a range of outsourcing models to choose from, each offering different levels of control, expertise, and cost structures. Below we outline some of the most common models, along with advantages and key considerations:*

#### 1. Full Outsourcing to a Specialized Provider

|                |                                                                                                                                                                                                                                                                                             |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DESCRIPTION    | Firms engage with third-party providers who fully manage the outsourced services, from client consultations to final deliverables. Specialized providers may offer comprehensive tax services, family governance consulting, or legacy planning independently of the firm's internal staff. |
| BEST FOR       | Firms that lack internal expertise or capacity in these services and seek end-to-end solutions.                                                                                                                                                                                             |
| PROS           | Access to specialized expertise, minimized in-house resource requirements, scalability.                                                                                                                                                                                                     |
| CONSIDERATIONS | Loss of direct control over service delivery, reliance on third-party quality, potential branding differences. This creates a major challenge to providing an effective integrated solution.                                                                                                |
| EXAMPLE        | A family office may outsource all tax and legacy planning functions to a specialized advisory firm that takes on direct client communication, reporting, and implementation.                                                                                                                |

#### 2. Co-Sourcing with an External Partner

|                |                                                                                                                                                                                                                                                                                                |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DESCRIPTION    | The firm works alongside a specialized provider, with responsibilities divided between in-house teams and external experts. For example, in family governance, in-house advisors may handle relationship management, while a governance specialist handles structuring and strategic guidance. |
| BEST FOR       | Firms that want to retain a degree of control over service delivery and client interaction while accessing specialized skills.                                                                                                                                                                 |
| PROS           | Improved quality control, blended expertise, higher client engagement, flexible resourcing, positively supporting an integrated solution offering.                                                                                                                                             |
| CONSIDERATIONS | Requires alignment, clear delineation of responsibilities, and the ability to share and manage client information.                                                                                                                                                                             |
| EXAMPLE        | An advisory firm retains control over client-facing elements of e.g., legacy planning, but partners with a legacy planning firm to design and review family governance frameworks.                                                                                                             |



## Appendix B CONTINUED

### 3. White-Labeled Services

|                       |                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DESCRIPTION</b>    | Firm outsources specific services to a third-party provider that operates under the firm's brand name, often remaining invisible to the client. White labeling is commonly used in wealth management for services like trustee services, reporting, and digital experiences. The client perceives these services as fully integrated and delivered in-house, even though specialized expertise is provided externally. |
| <b>BEST FOR</b>       | Firms seeking to expand service offerings while maintaining brand consistency and minimizing client visibility into third-party partnerships.                                                                                                                                                                                                                                                                          |
| <b>PROS</b>           | Preserves brand consistency, enhances client experience, allows firms to provide full-service solutions without in-house teams.                                                                                                                                                                                                                                                                                        |
| <b>CONSIDERATIONS</b> | Dependence on the provider's quality and service standards (reputational risk), potential lack of transparency, and client-perceived credibility. This approach can also lead to increased regulatory and other risks (e.g., cyber risk).                                                                                                                                                                              |
| <b>EXAMPLE</b>        | A wealth management firm white-labels services such as philanthropic administration, concierge or lifestyle management, or trustee services through companies providing these specialized services.                                                                                                                                                                                                                    |

### 4. Offshoring for Cost-Effective Labor

|                       |                                                                                                                                                                                                                |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DESCRIPTION</b>    | Firms contract with offshore providers for specific services, such as routine tax preparation or data management, often to take advantage of lower labor costs.                                                |
| <b>BEST FOR</b>       | High-volume, standardized tasks that do not require face-to-face client interaction.                                                                                                                           |
| <b>PROS</b>           | Cost savings, scalability, flexible staffing for high-volume tasks.                                                                                                                                            |
| <b>CONSIDERATIONS</b> | Possible language or time-zone challenges, security and compliance requirements, potential quality control issues.                                                                                             |
| <b>EXAMPLE</b>        | A firm offshores tax data entry or reporting processes for their wealth management clients, where offshore teams handle data preparation, with in-house staff providing final review and client presentations. |



## Appendix B CONTINUED

### 5. Freelance or Contract-Based Support

|                       |                                                                                                                                                                                                                                                               |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DESCRIPTION</b>    | Firms hire independent contractors or freelancers with specific expertise (project management of a real estate development project, kidnapping negotiations, home security requirements, etc. on a project-by-project basis, without a long-term commitment.) |
| <b>BEST FOR</b>       | Short-term or specialized projects that require unique expertise but do not justify full-time staff or long-term partnerships.                                                                                                                                |
| <b>PROS</b>           | Flexibility, cost-effectiveness, access to specific expertise as needed.                                                                                                                                                                                      |
| <b>CONSIDERATIONS</b> | Inconsistent availability, variable quality, less cohesive client experience.                                                                                                                                                                                 |
| <b>EXAMPLE</b>        | A firm might bring in a home security firm to perform a risk assessment for a family.                                                                                                                                                                         |

### 6. Hybrid Model

|                       |                                                                                                                                                                                                                                                                                        |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DESCRIPTION</b>    | This model combines elements of multiple outsourcing approaches, such as co-sourcing for high-touch client activities and offshoring for back-office tasks. For example, tax advisory might be co-sourced with a partner firm, while administrative tax preparation work is offshored. |
| <b>BEST FOR</b>       | Firms looking for maximum flexibility and customization, particularly those handling diverse client needs across different areas.                                                                                                                                                      |
| <b>PROS</b>           | Customizable approach that allows for specialized and routine tasks to be handled efficiently.                                                                                                                                                                                         |
| <b>CONSIDERATIONS</b> | Higher coordination and management requirements, potential inconsistencies if not carefully managed.                                                                                                                                                                                   |
| <b>EXAMPLE</b>        | A financial firm collaborates with a local tax advisory firm for high-level tax planning but outsources tax document preparation and processing to an offshore provider.                                                                                                               |



## Appendix C

### How outsourcing affects DuPont Model

*Each of these models offers a different mix of control, cost-effectiveness, and access to specialized expertise. Choosing the best outsourcing model depends on the firm's strategic priorities, budget, and desired client experience.*

| Metric                          | Impact                                                                              | Outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| REVENUE/<br>CLIENTS             |    | Certain tasks, while necessary, often consume time that could be spent on direct client engagement. With outsourcing, advisors and other client-facing staff are free to focus on relationship building, personalized planning, and uncovering cross-selling opportunities. This increased focus on high-value interactions and strategic conversations can elevate the quality of service, potentially leading to increased client satisfaction, loyalty, and revenue per client. |
| CLIENTS/<br>ADVISORS            |   | Advisors can effectively manage more clients without sacrificing service quality. They're able to handle higher client loads as their day-to-day administrative tasks are reduced, allowing them to prioritize high-touch client engagements. With reduced internal bottlenecks, it may be easier for advisors to manage a larger client portfolio.                                                                                                                                |
| ADVISORS/<br>COMPENSATION       |  | It is not clear that outsourcing activities would have a meaningful impact on average advisor compensation. Whether outsourced or not, the level of competency required of an advisor operating in an integrated wealth management environment would be roughly the same.                                                                                                                                                                                                          |
| COMPENSATION/<br>TOTAL EXPENSES |  | Outsourcing to cover functions such as IT support, cybersecurity, marketing, and HR often lowers total expenses compared to hiring, training, and retaining full-time staff. This helps minimize non-advisor-based expenses and improves the overall financial health and resilience of the firm.                                                                                                                                                                                  |

### Conclusion

*By targeting these four key areas with strategic outsourcing, a financial services firm can improve its operational efficiency and service quality. This approach allows for scalable growth, optimized costs, and enhanced client satisfaction—all crucial drivers of profitability in a competitive financial services landscape.*





# About the Authors

## **Joe Calabrese**, *Chief Operating Officer, Key Wealth*

Joe Calabrese is Executive Vice President and Chief Operating Officer at Key Wealth. He is responsible for overseeing the development, integrated delivery, and strategic development of a full range of financial planning, investment, fiduciary and banking capabilities for Key's clients.

Joe has more than 25 years of experience in the financial services industry. He joined Key in 2016 and lends his knowledge and expertise to the affluent individuals, families, business owners, and institutions.

Before joining Key, Joe held a wide range of executive roles including President and CEO of Geller Family Office Services, a New York based RIA and multi-family office; and President of Harris myCFO, which focused on serving clients with a net worth in excess of \$100 million.

Joe graduated from McGill University with a joint honors degree in Economics and Finance and holds a Chartered Account designation. Joe actively serves on the advisory board of The UHNW Institute and the Gaples Institute for Integrative Cardiology. He is a past President of the Goodman Theatre Board of Trustees in Chicago, and also served as Chairman of the board of overseers for Lewis College of Human Sciences of the Illinois Institute of Technology.

Joe has three children and resides in Florida with his wife.



## **Kevin Casey**, *Managing Director, Pathstone Family Office*

Kevin Casey serves as the Managing Director of Corporate Development & Strategy where he is responsible for supporting Pathstone's continued growth through the execution of firm-level strategic initiatives.

Prior to Pathstone, Kevin worked as a member of Focus Financial Partners' M&A & Relationship management team where his responsibilities spanned business development, deal execution and strategic advisement of a number of Focus' member firms both domestically and internationally.

He began his career in strategy consulting with Booz Allen Hamilton. Kevin received his Master's in Public Policy from The College of William & Mary and his Bachelor's degree in Economics from Lafayette College.

