

# SENIOR CONSULTANT

The Voice of the Investment Management Consultant

## IIMC Survey

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The average Certified Investment Management Consultant (CIMC) now has over \$100 million under management and generates over \$1 million in gross revenues, according to an industry survey. The average assets under management by a CIMC was surprising to many industry leaders as it is well in excess of the \$25 million under management that the SEC considers a high level advisor requiring a federal review.

The survey of 215 CIMC designees, prepared by the Institute of Investment Management Consultants, affords interesting insight into what a top consultant's practice looks like: the assets under management, number of accounts, the use of technology and technology trends. The survey found the highest asset total managed by a CIMC respondent was \$5 billion, while two surveyed consultants each reported assets under management of \$1 billion or more.

The study revealed a wide variety of client accounts among CIMC members. The average number of accounts is 281 client accounts per CIMC. However, one CIMC with \$14 million in assets under management had only two client accounts. Another CIMC respondent with \$130 million in assets under management tallied 675 client accounts. The CIMC with \$5 billion in assets under management had 31 client accounts.

Jeffrey Barefoot, a CIMC based in Perrysburg, Ohio, said he is not surprised by the high average of assets under management by CIMC-designated advisors. Barefoot, who is also an attorney and a certified public accountant, said that high level investors, i.e., those with assets approaching \$1 million or above to invest, expect a hands-on advisor who can provide answers beyond the investment alternatives that may be available.

Barefoot said that many of his clients at Midwest Continental Company required detailed estate planning service. With those and other cases, Barefoot finds that his law and CPA experience complements his practice of investment management consulting.

The IIMC survey also shows that internet use among CIMCs has grown considerably in the past few years. About half have web sites, and all are using some form of software to help devise asset allocation strategies for clients. Advent, Morningstar, Mobiüs SchwabLink and Frontier Analytics are some of the software that respondents use.

The money spent by CIMCs on cyber-related products is growing at a rapid pace, according to the survey. In 1996, the average spent by a CIMC was slightly more than \$9,600 or totaling slightly less than \$1 million. Last year, the total jumped to over \$15,000 per CIMC or over \$1.5 million for all respondents.

Most interesting is how much CIMCs plan to spend on cyberspace in 1998: an extraordinary jump to more than \$34,000 per CIMC for a total in excess of \$3 million.

So, what is fueling the rise of the internet? "It's a sign of the times," said Richard Kesner, whose firm, the Commonwealth Group, has a professional to develop its cyber presence. Kesner, however, said that while

the internet represents a "paradigm shift" in the evolution of financial advisory services, the industry still has a long way to go before it can be used as an effective tool. According to Kesner, the eventual creation of virtual real-time balance sheets and income statements integrating all of a client's assets will greatly increase the demand

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for the consultant's services, rather than reduce it.

Barefoot, whose firm is currently in the process of preparing an interactive web site for clients, believes that while cyberspace will keep growing as a force in financial advising, it is best used as an added benefit for wealthier investors, who will expect and deserve more hands-on approach from CIMCs. "For [those] investors, the internet is an aid," said Barefoot, "but it cannot replace one-on-one, in-depth contact with the CIMC." In short, for the wealth investor, cyberspace's chief benefit is as an educational tool, rather than as a means to execute transactions."

Barefoot sees the convenience and the low cost trading available through the internet will change the brokerage industry. "There will be a shift in investor discernment away from trade execution, which will be commoditized, to the tangible, quantifiable values added through the engagement of professional investment counsel, which I believe, is a CIMC," Barefoot said.

Bill Mullen, Executive Director of the IIMC, plans to expand the annual CIMC survey to provide more detail on a broader range of topics. The Washington, D.C.-based trade organization has 1,600 members and several hundred consultants continuously enrolled in its Certified Investment Management Consultant program. ■