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# Compensation Clarity: Wealth Management

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# Compensation Clarity – Wealth Management

Variable Compensation, specifically bonuses, in UK wealth management differ across the market. Base salaries for relationship managers and senior private bankers have risen somewhat in line with inflation and living costs, but we have found that bonuses and variable compensation have stayed flat or even dropped at many firms. This thought piece exposes the disparities in bonus structures, partly shaped by cost constraints, client retention priorities and generational shifts in hiring.

This report is set out to compare the variable compensation bonus structures from a multitude of private banks and private client investment managers in London, identifying bonus payout trends. In this review, we take a closer look at the data using industry insights and market research to uncover the varied approaches firms have to their compensation structures and highlight how these models vary across the market. Our aim is to also understand whether there are underlying factors behind discretionary bonuses and if these bonuses are in actual fact "discretionary", as well as understanding if certain types of institutions are more likely to reward their staff in a certain way.

Our data is primarily focused on senior relationship managers and private bankers within the private bank and private client institutions, including insights from sourced business heads and compensation data gathered from industry insiders and historical proprietary data.

Historically, private client investment managers have leaned towards either a fully formulaic model or a hybrid model made up of various KPI's, but generally without a discretionary element. Privately owned private banks appear to opt for a more formulaic structure, whereas retail and bulge bracket banks tend to be more likely to use a discretionary payout, according to our research.

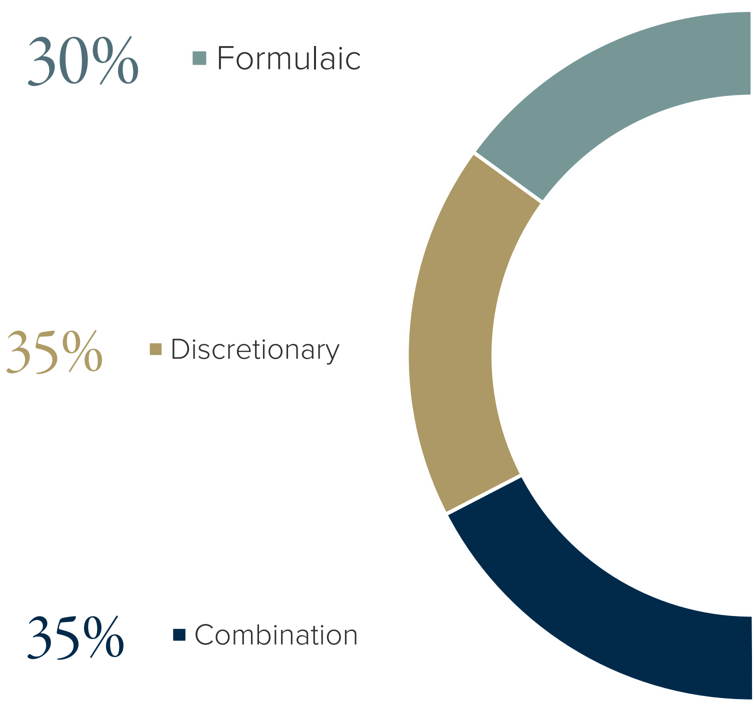
Market trends have shown that whilst basic salaries continue to rise gradually to keep pace with inflation and the cost of living, variable compensation remains largely stagnant or even decreasing at many companies using a discretionary structure.

Despite high demand for senior relationship managers, some organizations are opting to move away from discretionary bonuses and tie pay formulaically to performance metrics. However, these discretionary bonuses are not increasing due to cost constraints and increased client retention; factors that firms often prioritise over bonuses.

Often, private client investment managers have lower costs and a more restricted product line than larger universal banks. Limited access to areas such as private markets, a smaller advisory footprint, and significantly less infrastructure result in a lower cost base, allowing for a more streamlined operation and the ability to reward performance more aggressively.

Unlike traditional private or universal banks, boutique investment managers tend to offer higher variable compensation bound to net new money, revenue, and performance, as their investment managers typically have much closer client relationships, making their client books more portable in the event of them leaving for competitor firms. Therefore, private investment management firms offer higher variable rewards in an effort to retain their best performing staff.

## Overall Bonus Structure

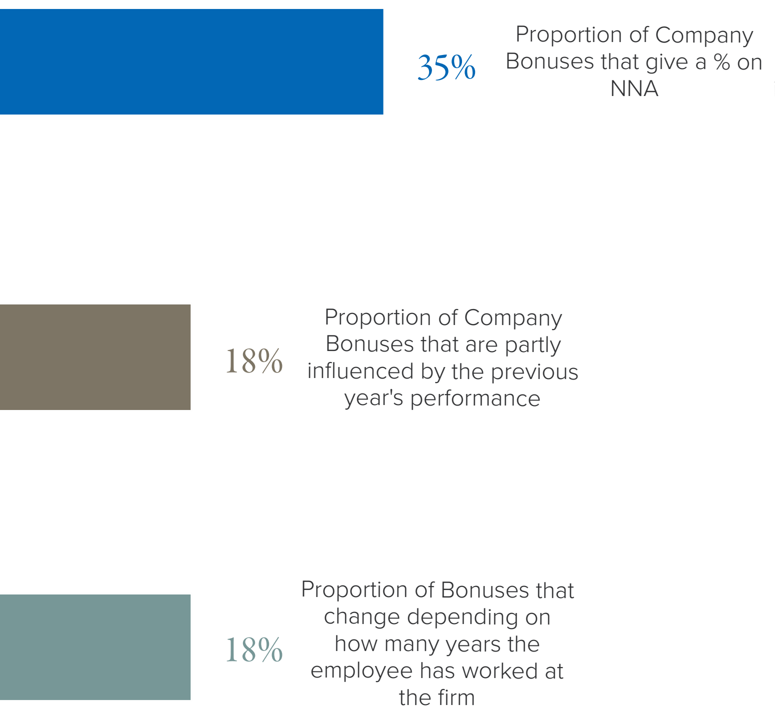


Our research revealed the varied range of models as described above. Particularly, almost a third of firms studied (29%) make use of strictly formulaic bonuses where payouts are derived from financial results or performance metrics. Conversely, 35% of the firms researched rely solely on discretionary bonuses, enabling flexibility and more managerial judgement. We found that 35% of firms either used a combination of formulaic and discretionary or only discretionary bonuses.

The balance of discretionary bonuses and the hybrid model indicates that firms still value measurable performance indicators, whilst some still reward less quantifiable contributions, such as internal collaboration and previous performance.

When delving into how bonuses are calculated, we noted that over a third of payouts were tied to Net New Assets (NNA). This highlights the importance of growth and client acquisition as vital drivers of variable financial compensation. By coordinating bonuses with NNA, firms are likely enticing employees to fixate on expanding the business and bring in new clients, intertwining growth with bonuses.

## Bonus Calculations




In our view the increasing consolidation in the wealth management sector has a noticeable effect on compensation structures and business culture. Under private equity ownership, for example, firms can plan a three-to-five-year view. This means the focal point pivots towards driving revenue growth and EBITDA expansion, maximising exit value. Generally, this translates to ambitious sales goals with compensation structures that merit short-term asset gathering instead of long-term client outcomes. Client preferences are then no longer at the forefront of firms' concerns and the cultural dynamic may switch from one of stewardship and relationship-building to a more transactional, commercially focused approach. This could enhance incentives and with the owners' growth objectives it may strain client relationships if decisions are seen to prioritise profitability over client-centric financial advice.

Our statistics show that factoring performance from previous years within a bonus model was far less prevalent (sitting at 18%). This demonstrates that institutions place greater emphasis on present-year outcomes and forward-thinking metrics. This approach denotes a system that values immediate contributions more than sustained performance over time.

Similarly, in terms of tenure-based incentives, our data revealed that 18% of firms appear to adjust bonuses based on how long an employee has worked at the company. Even though a minority of firms adopt this approach, it mirrors a strategy intended to reward employee retention. This approach can help reduce turnover and promote long-term engagement, especially amongst high-performing employees who have demonstrated commitment to the firm.

Banks are more effective than ever before at ring-fencing and retaining clients when senior relationship managers resign, diminishing individual leverage. Conversely, independent investment managers who maintain closer, and more active relationships with clients, experience greater pressure to retain talent through performance-linked variable compensation. This highlights the varying retention strategies between small and larger firms.

Generational hiring may also explain and influence data trends. For example, some firms have intentionally hired top junior talent to minimise dependence on senior hires with perceived portable books. This may lessen the pressure to pay large bonus packages, especially when they have confident retaining clients, should bankers leave.

Deflated margins and escalating operational costs also obstruct bonus growth. Universal banks are particularly affected by these factors with their extensive infrastructure and broad product offerings confining their flexibility to offer competitive bonuses.

The current wealth management market in London displays a clear split in compensation strategies, we found. Independents tend to lean towards performance related bonuses compared to large banks that tend to adhere to discretionary models. Larger banks are reclaiming leverage over senior bankers as client portability weakens. More established or bulge bracket institutions focus on higher base salaries alongside the use of discretionary bonuses with a growing emphasis on luring junior talent. This talent may transform mid to senior level bonuses in the coming years.

Our question to the market is: can discretionary bonuses endure as a fruitful retention tool in an everchanging environment in the future?

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# The Authors

## Alex Diffey

### Partner, Wealth Management

Alex joined Valentine Thomas in 2019. He has over 25 years' experience within Executive Search specialising in both the domestic and international Private Banking and Investment Management industries.

Alex has run search practices across the globe, notably in London, Geneva and Singapore. With a market leading track record of placing sought-after professionals from Senior Relationship Managers to Heads of Private Banking, as well as Investment Managers and Family Office CEO's,

Alex has earned a reputation as one of London's top search professionals within his field. During his career Alex has overseen and completed numerous team moves and C-Level placements as well as being mandated on various bespoke consulting projects on behalf of his clients.

Alex holds a BA degree in Marketing and French and completed a portion of his higher education at the University of Lyon, France. Alex speaks conversational French and conversational German.

## Anastacia Bende

### Executive Search Analyst

Anastacia joined Valentine Thomas as an Executive Search Analyst Intern in 2025 from the 10,000 Black Interns Initiative. She is instrumental in capturing key market news and maintaining our expanding information database. As a Business Economics student set to graduate next year, Anastacia is enthusiastic about acquiring new skills and knowledge that will enrich her professional journey.

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