# understanding relationship manager payouts linked to turnover

## description

in finance, especially at independent wealth management firms, the compensation of relationship managers often intrigues and sometimes confuses people. they usually get a payout linked to the asset-based fees they generate. here, the deep dive between percentages and absolute numbers becomes interesting.

## percentages vs. absolute numbers: a closer look

let’s examine percentages. they make comparing and simplifying complex data accessible, which is why they’re attractive. take, for example, a 70/30 revenue-sharing arrangement. it might look more profitable than a simple 50/50 split. but is this always true?

think about this: if you have a 50% share of a gross revenue of $100, your employer keeps $50. from this amount, the wealth management firm deducts non-“operational” expenses. these include 10% for the relationship manager’s welfare and usually 10% for shareholders as equity capital.

after these deductions, $30 remains to run the back-end, pay the rent, and hire good investment consultants. in other words, this amount helps maintain a cutting-edge platform that meets your client needs or invests in future aum growth to negotiate better fee terms with custodian banks and, ultimately, increase revenues for the relationship manager.

## the catch in the percentage game

now, compare this to a 70/30 split that favours the relationship manager. initially, it looks more beneficial. but often, it means you either work in a basic office-sharing setup, doing everything yourself, or the split comes after or with variable infrastructure deductions. you might ask yourself – who keeps the 30 net? it is similar to banking; you have no control over expenditures.

## the bottom line: seeing beyond the percentages

navigating the world of financial figures, the charm of percentages is easy to understand. but it’s crucial to ground analysis in absolute numbers for a complete picture. surprisingly, a less appealing percentage split can position you better financially.

it’s important to remember that operational costs are usually similar for all market participants. some shareholders might be greedy, and some invest more in the firm’s sustainability. not investing in emerging technologies or forward-looking strategies will become a threatening problem.

## connecting with clarity in wealth management

for relationship managers or those considering this career, it’s crucial to understand your compensation structure in detail. look more profound than just the percentage payouts. find out the payout figures over a few years and what platform you get. the goal is to balance fair compensation with sustainable business operations. remember: changing employers always results in the risk of losing clients on your wealth management career path.

in finance, as in life, the details matter a lot.

source: linkedin

**date**
03 may 2025
**date created**
15 feb 2024