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Market Street Trust Co.: No longer under the radar

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Money, which represents the prose of life, and which is hardly spoken of ... without an apology, is ... as beautiful as roses.

— Ralph Waldo Emerson

CORNING — The concept of an administrator dates back thousands of years. Whatever the title, the royal family chose a major-domo who would represent, make arrangements, and take charge of the family's affairs and wealth. The upper nobility soon adopted the idea by appointing a major-domo to represent them.

The modern concept of the major-domo developed in the 19th century when the J.P. Morgans and Rockefellers created single-family offices to manage their assets. Today, the administrator of ultra-high-net-worth families is usually a family-office trust established to handle not only investments, but also estate-planning, lifestyle needs, and a variety of other services. The idea of the multi-family office (MFO) evolved to preserve wealth by having outside families join to help cover the operating costs.

The Houghton family office, headquartered in Corning, was established in 1909 to conserve the wealth created by Amory Houghton, the founder of Corning Glass Works, now Corning Inc. The office operated for the sole benefit of the family until 1987, when the board of directors created a trust company — Market Street Trust Co. (Market Street) — and converted from a single-family office to an MFO in 1997. For nearly 105 years, the Houghton family office avoided the limelight. That has now changed.

"In February 2013, *Private Asset Management* (a wealth-management industry publication) named Market Street Trust Co. the 'Best Multi-Family Office — Client Service' in the under \$2.5 billion asset category," says Market Street's president, Marianne Young. "It's wonderful to have peer recognition of our efforts to offer outstanding service, wealth preservation, and growth. In July 2014,

we opened an office in mid-town Manhattan in order to serve our clients better and to be near investment managers and advisors." Young also noted that Barron's *Penta* magazine featured Market Street in its August issue, and she and James D. Houghton, the current board chair, grace the cover of the Sept./Oct. issue of *Private Wealth* magazine.

According to the Family Offices Group Association database, more than half of its MFOs, which are mostly located in the U.S. and Europe, have assets under management (AUM) topping \$1 billion. The estimated average AUM is \$800 million with the minimum requirement that clients have at least \$20 million in net assets. "Market Street manages \$1.3 billion in assets," states Young. "We currently serve 40 client families representing approximately 90 households, of whom about a quarter are young adults. Of the 40 client families, 28 are extended Houghton families. Market Street owns the 10,000-square-foot building located at 80 E. Market St., which houses 37 of our 39 employees. The firm administers approximately 300 trusts and files approximately 700 tax returns annually.

"Our business model is unusual for the industry," continues Young, "because we are formed like a mutual company or co-op whereby the investors own the company. Each member buys a stake in Market Street Partners, LLC, which owns Market Street, the operating company. The upfront fee is 0.3 percent of the client's total assets, which covers our capital requirements. This fee buys the investor a portion of the business equal to his/her percentage of assets under management. Our clients do not receive dividends; any operating margin is reinvested. In essence, we operate like a nonprofit. The annual fee is 1.0 percent on the first \$4 million of a client's assets but declines to a modest 0.2 percent for amounts in ex-



Young



Landin

cess of \$15 million; on average, our annual fee is about 65 basis points."

Market Street's client profile is a family with at least \$30 million in net assets who wants an array of services. The clients live in 21 states, clustered

primarily on the East and West Coasts, but some are as distant as Germany and Australia. Young says Market Street is able to offer attractive rates because it's a no-frills operation. She smiles as she points to the building entrance which is flanked by a Mexican restaurant and a pub, also noting that the building has no signage. *The Business Journal News Network* estimates that Market Street generates \$7 million in annual revenue.

"The [operating] model lets us align the business with the clients' interests," affirms Beth Landin, Market Street's vice president of client and strategic relationships, "allowing us to focus on an array of client services including investments, retirement strategies, cash-management, risk-management, domestic-employee payroll and benefits, certain concierge services, financial education, tax planning, fiduciary services, and philanthropic support. In addition to the in-depth, diversified, professional knowledge we have on staff in the areas of legal, tax, accounting, investment, trust, and insurance, we extend our expertise with specialty knowledge from outside experts. This provides our clients with ... [one-stop shopping] for their family concerns. Because our client-to-staff ratio is so low, we can spend the time to know the entire family and to provide the tailored solutions and personal service needed."

The suite of services offered by Market Street has expanded to private foundations and includes board operations, governance practices, grant-oversight processes, administration, and tax-planning and compliance. Market Street currently offers its expertise to

nine foundation clients. Landin oversees the firm's advisory service and leads the expansion in the foundation area.

"Our success is ultimately due to the long-term relationships we build with our client families who appreciate our integrated approach to wealth management," opines Landin. "That means choosing the right employees and ensuring there is a low turnover because relationships are personal. It also means paying attention to generational diversity and engaging with the firm's younger clients by assigning a dedicated wealth advisor when beneficiaries turn 18." Market Street's senior leadership team includes Young and Landin plus Michael R. Eisner, vice president and chief investment officer; Robert C. Elliott, vice chairman and head of the New York City office; and Keith Horn, vice president and chief operating officer.

Now that Market Street is no longer under the radar, the firm has set an ambitious goal to grow to \$2 billion in assets over the next five years. "There is a decided spike in entrepreneurial wealth creation," observes Young. "There is also a huge transfer of wealth antici-

pated [over the next two decades]. Our strategy is to add one to three new [net] households yearly to reach our goal." Landin adds: "We're relying on referrals from a strong network of contacts among professional advisors and direct outreach to our clients and their friends and associates. Recently, Market Street hosted a "Women and Wealth" luncheon in New York City, which included a panel of four successful career women discussing financial matters from a woman's perspective. The program was very successful, and we are planning to organize other similar events."

Market Street has positioned itself to compete in a field where the clients are highly selective. "We have a lot to offer," concludes Young. "Our business model is perfectly aligned with the clients' interests, our cost structure is low, we offer impartial advice that considers the big picture, Market Street has a long-term track record, and we take the time to understand our clients. Proof of this strategy is that our clients usually begin our relationship by investing only a portion of their assets. Over time, most migrate all of their assets to us. My job is to keep an eye on our capacity. If

there is any question of delivering excellent service and advice, we will decline the opportunity."

Young earned her bachelor's degree from Mt. Holyoke College, a master's degree in education from the University of Rochester, and holds a J.D. from Cornell Law School, where she graduated magna cum laude in 1992. She practiced law at Harris Beach & Wilcox before joining Market Street in 1995 as first vice president for client services. She was appointed president in 1999. Landin earned her bachelor's degree in economics from the University of Mary Washington and her M.B.A. from the Darden School of Business at the University of Virginia in 1991. She was employed at Verizon (formerly Bell Atlantic) and then at Corning Inc. for 15 years, managing strategic analysis for Corning's Environmental Technologies division. Landin joined Market Street in 2007.

If Emerson is right and money is as beautiful as roses, Market Street should continue to flower. □

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