

Private Wealth

THE EXCEPTIONALLY AFFLUENT

MARIANNE WILDER YOUNG
AND JAMES D. HOUGHTON

A LEGACY OF INNOVATION

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PLUS: INVESTING IN THE OUTER LIMITS,
HIGH LIVING IN THE GREEN ZONE
AND THE GROWING FORGERY MENACE



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BY HANNAH SHAW GROVE

Market Street Trust Company is one of a growing number of sophisticated wealth management organizations that began as single-family offices in the early part of the 20th century. The histories of each organization are, of course, as unique as the families themselves and in the case of Market Street can be traced back to Amory Houghton, who in 1851 founded Corning Glass Works.

Now named Corning Inc., the company has a long history of contributing to the creation of many life-changing technologies, including designing the housing for Thomas Edison's lightbulb, inventing heat-resistant Pyrex lab glassware and kitchenware and building the mirrors for the Hubble telescope. The company is also responsible for major developments in the areas of glass housings; fiber optics; and durable, high-resolution LCD screens used in smartphones, tablets, computers and TVs.



From left: Robert Elliott, Michael Eisner, Marianne Wilder Young and Beth Landin of Market Street Trust

As Corning grew in both value and influence, the extended Houghton family needed a way to deal with company stock and dividends that were largely held in trust, and it established a family office in 1909 to support the family trustees. The family office responded to the changing size and needs of the anchor family over the decades, eventually creating a limited-purpose trust company and opening its door to other households.

An Evolving Family Office

This year, the family office celebrates its 105th anniversary. In addition to serving the eighth generation of Amory Houghton's family, Market Street administers nearly 300 trusts and 600 tax filings each year on behalf of its select client base.

James D. Houghton, chairman of Market Street's board of directors and the great-great-grandson of Amory, says the evolution of the family office has reflected a shift in thinking that started in the 1980s with his father and uncle.

"They were looking to the future and helped institute some changes that formed the foundation of who we are today," he says.

Those changes included the creation of the private trust company; the addition of Market Street as the corporate trustee, a role previously filled by senior family members; the implementation of a more diversified investment program to manage the highly concentrated Corning stock; and the formation of

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a board to provide more formal governance. One of the most significant differences, he recalls, was "the orientation of the trustees to the family members. We were viewed as clients of a full-service family office rather than just beneficiaries."

About a decade after these changes were set in motion, Market Street entered another transitional phase, as new generations of family members and employees stepped into leadership roles. Houghton joined the board in 1995 at the age of 31

as part of an effort to incorporate the views of younger family members into family office leadership. A few years later, his cousin, Alanson Houghton III, became the first chairman of the board from the sixth generation and joined a small team of emerging leaders to develop a strategic plan for the business.

Marianne Wilder Young, a 19-year veteran of Market Street and its current president, was also part of that team. “We surveyed our clients and brought in some key outside perspectives that helped us clarify issues related to wealth sustainability, family engagement and cost-effectiveness,” Young says.

To address the common problem of diminishing assets due to family expansion, Market Street began working with new clients (none of whom shared the Houghton surname), signaling its transition from a single-family office to a multifamily office, and adopted a mutual structure that gives every client an ownership stake in proportion to their assets, with a onetime capital commitment equal to slightly less than one year’s fee. The move “was not driven by profit, but actually allowed us to align clients’ interests around excellent service at competitive prices,” Young says.

At the same time, they embarked on an initiative to reconcile the typical client’s need for truly integrated services with greater cost transparency. The wealth management industry has clients that “think they are paying for one thing but getting another; they don’t understand fees,” says Young. The goal was to address the broadening scope of requirements—beyond trust administration and investment management, to things as diverse as insurance, philanthropy and bill-pay services—while helping clients recognize the difference in process and value. More changes soon followed, including the appointment of non-family and eventually outside directors to Market Street’s board.

To establish a more corporate environment, the team looked

to the Houghton family’s traditions of innovation, technology and small-town values for inspiration. “Our standards are excellence, integrity and continuous improvement,” says Young, explaining how Market Street has managed to preserve its unique culture despite considerable changes in focus and infrastructure.

Houghton points out that the “dynamic of a big company in a small town” still permeates the operation, but that the aforementioned changes were a point of departure for Market Street. It was the right time to “build on the solid foundation established by earlier generations of the family” and take the reins of this “sophisticated, networked organization and invest in future generations,” he says.

Managing The Evolution

One of the most challenging aspects of becoming a public-facing business was the need to shift from being a reactive, service-oriented operation focused on a single, albeit extended, family to one that thinks proactively about growing its business, Young says.

Longtime employees were augmented with professionals such as Vice Chairman Rob Elliott, COO Keith Horn, CIO Mike Eisner, and Beth Landin, vice president of client and strategic relationships. It also became apparent that Market Street’s headquarters in western New York state limited the team’s ability to meet and service potential clients. More urban and easily accessible locations would be needed, leading them to open a new office in Manhattan earlier this year (see sidebar).

“Outside interests have created a more stimulating environment” for the staff, Young says.

Shoring up the professionals and the governance structure “has raised the bar for everyone,” Houghton adds.

Market Street’s approach to growth and expansion is two-

Harvesting The Big Apple

After more than 100 years in Corning, N.Y., Market Street Trust opened an office in New York City earlier this year. The new office, at Park Avenue and 59th Street, gives the organization better access to clients and advisory professionals in the tri-state area, as well as a new universe of potential clients.

At the same time, the firm announced that highly regarded industry leader and Market Street

board member Robert Elliott will join the family office full time as vice chairman to lead its Manhattan-based efforts. Elliott spent nearly 40 years with Bessemer Trust, most recently as a senior executive with responsibilities for client service and business development, and played an influential role in helping the company transform itself from a single-family office created by Henry Phipps in 1907 to its current incarnation as a top-ranked wealth manager.

Bessemer and Market Street share similar heritages and values, which is likely part of the appeal for Elliott and his new employers. They also say they share a client-centric doctrine that’s subordinated at many other wealth management concerns. “Market Street’s shared ownership model creates a clear alignment of interests between stakeholders and clients—they are one in the same,” Elliott says.

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pronged: It develops new relationships organically and sources them through key strategic partnerships. “The clients most attracted to our model appreciate the value of an integrated approach to their wealth management needs,” Young says.

The firm is best suited to help households with enough wealth to have complex needs, most likely in excess of \$30 million, and who are willing to engage in an inclusive relationship. Market Street oversees \$1.3 billion in client assets with a five-year goal of reaching \$2 billion. Each year, it targets the addition of between one and three new households to its client base, with Young keeping a close eye on capacity constraints. “We will not take on something if there are any questions about our ability to deliver excellent service and advice,” she says.

Engaging With Clients

The typical interface for a Market Street client is a wealth advisory team comprising of at least six professionals spanning the legal, tax, accounting, investment, trust and insurance disciplines. For families with broader portfolios, the firm has developed other specialized support capabilities. One such offering, born from a planning exercise with the Houghton family more than 20 years ago, is a suite of services for private foundations, including board operations, governance practices, grant oversight processes and the necessary administrative and tax work for the legal structures. Young says they provide comparable support to nine foundations now and have established an investment program suitable for charitable assets.

Another area that’s been given particular attention is engagement with the firm’s younger clients. It’s widely accepted that the large majority of inheritors will switch advisory firms within a year of receiving their assets. Yet, for the most part, wealth managers have remained passive.

In contrast, Market Street wants to recruit personnel that are attuned to generational differences among its clients. The board considers generational diversity as it evaluates new members. It also prioritizes building independent relationships with younger family members by assigning dedicated wealth advisors when beneficiaries turn 18. Young acknowledges that keeping the business of the next generation is not a given and that she and her team must help younger clients “be aware of what’s in place here, the infrastructure and the expertise that serve their families.”

With this in mind, Young says she worries “about maintaining low turnover among staff because relationships are personal.” She reiterates that small-town values are an embedded part of Market Street and looks for clients and employees who want the same thing: long-term relationships. “Our clients like the extent to which we get to know them and work with them,” Young says. “We get invited to weddings, we grieve with them and we are guests in their homes.”

Leverage For The Future

The past two decades have embodied real change for Market Street—assets under management have more than doubled, the employee base has tripled and service to clients has improved.

As Young completes her 15th year as president, the organization is thinking about succession planning and how to leverage its reserves of native expertise into templates and solutions for new clients. “We have a great offering. We know what we do and we do it well,” says Young.

She and Houghton believe that the spike in entrepreneurial wealth creation and expected wealth transfers are an opportunity for Market Street to demonstrate its knowledge of private trust companies, trust vehicles and multigenerational planning and education.

Houghton says he is “struck by how many families are dead set on doing it all themselves,” and cites the common trade-off between quality and control that occurs when wealth holders aren’t willing to accept help from outside their inner circle.

Houghton and Young form a partnership that has an understanding of the ideal family office experience and the degree of innovation required to stay ahead of the erosion of wealth caused by taxes, inflation and fees. They’ve used this knowledge to refashion a traditional family office into something competitive and compelling, while doubling down on unscalable activities that help cement relationships, such as returning operating margin to clients and giving personalized attention.

At a time when all manner of providers are toying with the family office construct as a solution to flagging profits and growth, Market Street is a family office with an undeniable pedigree, a tested process and a willingness to put clients first.

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