Wisdom from Advisors to the 'One Percent'

By Kerry Pechter *Wed, Oct 28, 2015*

To satisfy super-rich clients, be as inventive as Ray Croc when he invented the 15-cent hamburger, advisors at UBS, Merrill Lynch and Manchester Capital Management told members of the Money Management Institute last week in New York.

The "one-percent" are not like you and me, F. Scott Fitzgerald might say if he were alive today. The very rich don't worry much about running out of money in retirement. They worry more about lightening their tax burden, buying or selling prime real estate and training grandkids to be good stewards of their trust funds.

And the rich require a special type of advisor. As three prominent wealth managers explained at the recent Money Management Institute Fall Solutions conference in New York, advisors to the ultra-high net worth distinguish themselves by anticipating their clients' wants and needs—the way Ray Croc, as one advisor put it, anticipated America's previously undiscovered appetite for drive-in burgers.

"One of our clients has a vacation home in New Zealand," said Ted Cronin (below, right), CEO of Manchester Capital Management, a family office where 33 staff members attend to the needs of 45 UHNW families. "They visit there every winter. Now they want to leave the property as a legacy for future generations. We take care of the details—Who will fix the roof of the house? Who will arrange the international flights for family members? That's the kind of '15-cent hamburger' idea that most advisors don't think about."

Cronin was one of three ultra-HNW managers who participated in a panel discussion moderated by Sterling Shea, the head of Barron's Advisor and Wealth Management Programs, at the MMI conference, held in the Grand Hyatt Hotel at Grand Central Terminal last week. Joining him were Rachel Gottlieb, a senior vice president at UBS Financial Services, and Patrick Dwyer, a managing director at Merrill Lynch Wealth Management.

When working with the stratospherically wealthy, advisors evidently need to find ways to remove mental clutter from their clients' complicated lives. (Deft money management is a given.) According to these experts, advisors to the very rich should anticipate the "little things" that help their clients relax and enjoy their money—and that will make the advisory firms indispensable to the clients and their descendents.

'Whatever makes your life easier'

Remembering to send a computer technician to a somebody's mansion to set up an online bill-paying process, for instance, may not be part of the Certified Financial Analyst curriculum. But older clients who travel a lot appreciate the gesture. They're usually relieved not to have to spend several hours setting up passwords, usernames and answers to questions about the names of their first pets or high school mascots.

A smart wealth manager will get it done for them. "If you give me $20 million, I'll do whatever makes your life easier," said Dwyer, 46, who has reached rainmaker status at Merrill Lynch. "We taught the wife of one client how to pay all her bills by phone, because she and her husband spend half the year traveling. We'll send someone to the house to program all the bill-pay stuff. We'll load all everything they own onto our online system, which is like **Mint.com** but better, and do a personal financial statement for the family, so they don't always need an accountant or an attorney. We just do these things for people. And it's a big deal to them."

Cronin of Manchester Capital Management, which has offices in Manhattan, in Vermont and elsewhere, agrees. At a time when algorithms are replacing advisors, he said, "The little things make a bigger impact, because the investments are straightforward."

"How to allocate assets, when to use indexing or active management—these things are getting more and more straightforward. There are lots of allocation models available on the web. There are wonderful solutions everywhere. If Google can create a car that drives without a person, AI [artificial intelligence] will develop solutions that are hard to improve upon. So the human touch will matter most going forward."

Managing time as well as finances

Since time and money amount to the same thing, advisors-to-the-very-wealthy try to conserve both. Rachel Gottlieb of UBS (left) told the MMI audience of about 400 managed account specialists that instead of calling her clients out of the blue with new ideas, she schedules regular monthly calls. It makes the phone meetings more productive for client and advisor.

“All of my clients know I will call them once a month,” said. “For instance, at 9 a.m. on the first Monday of every month, one client knows he’ll get a call from me. My assistant will confirm it a week in advance. The client and I will have a list of prepared questions for each other. We make the most of our time. I don’t want her calling me and me calling her back. We focus on efficiency.”

Having discretion to trade on the clients’ managed accounts also adds to the efficiency; urgent trades can get down before the market moves and opportunities are lost. “Having that model and those capabilities has helped me to free up time,” she said.

Dwyer said he saves time by sending out performance reports to clients by email on a fixed schedule. “No clients should be calling us for their performance reviews. The reviews go out every Sunday night in an email,” he said, adding that even clients in their mid-70s now want data delivered electronically.

Prospecting never ends

The workday of a UHNW advisor isn’t always different from the workday of an advisor to the merely affluent. While Cronin and Dwyer gave the impression that money flows easily to them—Dwyer boasted of five new clients worth $590 million in the past two years and Cronin spoke of turning new business away—not everyone has that kind of critical mass. Gottlieb, who seemed to be at an earlier career stage, admitted that she’s, as they say, always selling.

“I did a Moms’ Night Out, where I could get in front of young successful moms and position myself as someone who could help them build and protect their wealth,” she said. “Tonight I’m going to Parents’ Night at my child’s school. I know that the room will be full of prospects. You’re always presenting yourself and looking for opportunities. We’re all always building our brands."

There's obviously no place for conflict-of-interests in relationships with UHNW families. That's something that Merrill Lynch learned at about the time of the financial crisis, according to Dwyer (right). "We started embracing the fiduciary standard seven years ago, when we moved to no commissions, no proprietary products," he said. "We knew it was coming. So rather than wait for it to happen, we acted. With commissions, unfortunately there are some natural biases. You find yourself talking about things that may help you but may not help the client. If you're not commissioned, you don't think that way."

Presumably it takes a fairly rare combination of emotional and financial intelligence, not to mention loyalty, discretion and ample bench strength, to gain and maintain the trust of rich clients. And elbow grease, of course. "The secret is to work your ass off, and when the client is concerned about something, you need to be concerned about it," Dwyer said. "If you do what's in their best interests and care about service, then people will find their way to you."