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WHEN IS AN ADVISOR AN ELITE WEALTH MANAGER?

The term “wealth manager” is used a lot these days. But are all those who claim to be wealth managers really living up to their titles? And what if you want to work with a wealth manager who is truly elite? Here’s how you can do your homework.

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When Is an Advisor an Elite Wealth Manager?

KEY TAKEAWAYS

- A wealth manager delivers broad-based advanced planning along with investment management.
- Wealth managers as a group are experts on the technical side.
- An elite wealth manager's focus is the human element—knowing clients on a deep level and using that knowledge when creating wealth plans.

It is increasingly common for financial advisors to call themselves wealth managers. In some cases, this descriptor is right on the mark—it describes them accurately. However, for a significant percentage, the use of the term is essentially a marketing strategy. It sounds good—more impressive than “financial advisor,” they believe—but the way they do business and work with clients cannot be considered authentic wealth management.

It's essentially up to you to decide whether a financial professional you are considering working with is a genuine wealth manager. And if you really want top-of-the-line talent—and why wouldn't you?—you'll also want to assess whether a wealth manager can be considered an *elite* wealth manager.

Here's how to do your due diligence.

The nature of wealth management

The place to start is to understand just what constitutes true wealth management. If you don't know that, you can't be expected to determine whether a professional is actually a wealth manager!

There are two overarching components to wealth management: investment management and advanced planning (see Exhibit 1).

EXHIBIT 1
Wealth Management



1. Investment management

Central to wealth management is investment management. This is a very broad category covering the likes of (but not limited to):

- Individual equities
- Individual debt instruments
- Mutual funds and exchange traded funds
- Alternative investments such as hedge funds and private equity funds
- Passion investments such as artwork and numismatics
- Hard assets such as precious metals and gemstones
- Cryptocurrencies

What is important to recognize when it comes to wealth management is that any legitimate investment is a possible option. It just has to be appropriate for the investor.

Aside from the types of investment assets that are available, investment management is about structuring an investment portfolio with the goal of achieving certain results or producing desired future sums of money. Hence, investment portfolio design is certainly as important as—and many times more important than—specific investment assets.

2. Advanced planning

For some individuals and families, advanced planning is much more consequential than investment management. It can potentially deliver more predictable outcomes as well as results that are extremely meaningful from a wealth perspective. From legally mitigating taxes to protecting assets to doing the most good and ensuring heirs are taken care of, advanced planning can be crucial.

The following are the most common specialties within advanced planning:

- **Income tax planning** focuses on legally mitigating taxes on money earned by working.
- **Estate planning** involves using legal strategies and financial products to determine the future disposition of current and projected assets.
- **Marital and related relations planning** entails planning for disruptions in the relationships between spouses and other lovers, with the intent to protect the family's wealth.
- **Business succession planning** principally deals with tax-efficiently transitioning businesses to others, whether they are family or not.
- **Asset protection planning** entails employing legally accepted concepts and strategies to ensure that a family member's wealth is not unjustly taken from him or her.
- **Charitable tax planning** enables tax-efficient philanthropy.
- **Cross-border and inbound planning** is for family members who are operating businesses in different countries or are moving to different countries. The planning facilitates business opportunities and minimizes taxes that are owed.
- **Life management planning** addresses an array of concerns from a wealth management perspective, such as how to best structure wealth to deal with the concerns of longevity.

Although it is possible to differentiate among the planning specialties, in practice there is considerable overlap between them—as well as synergistic possibilities that can create results that are bigger than the sum of their parts.



What makes a wealth manager elite?

Advisors who deliver these two components to clients can reasonably be called wealth managers. Of course, chances are that you'd prefer to work with not simply any wealth manager, but one who is elite.

The various types of investment management and advanced planning listed above are not new, nor are they in any way restricted to the very wealthiest among us. Lots of people can seek help with their charitable giving or income tax planning.

Additionally, the level of technical expertise possessed by a professional wealth manager isn't a major differentiator. Note that both are technically adept and can be considered state-of-the-art in terms of their expertise (see Exhibit 2). This makes sense. There are no truly proprietary legal strategies or financial products anymore, so all technically skilled wealth managers should be able to deliver essentially the same menu of solutions to their clients.

Important: Keep in mind that there *can* be differences among wealth managers in terms of their talent, know-how and perspective. As a result, some elite wealth managers may know how to implement solutions in ways that are more effective than the implementation methods used by non-elite wealth managers. But generally speaking, you can expect both a wealth manager and an elite wealth manager to be experts on the technical side.

EXHIBIT 2
Expertise Provided by Family Offices

Aspect	Wealth managers	Elite wealth managers
Technical expertise	State-of-the-art	State-of-the-art
Focus	Legal strategies and financial products	The human element

So once you know you're looking at a wealth manager, how do you determine whether he or she is elite? Technical expertise alone is not enough to join the ranks of the elite. Elite wealth managers are not only technically adept but also intently focused on understanding the self-interests and needs of their clients. Whereas technically adept wealth managers are generally more focused on legal strategies and financial products, elite wealth managers are focused intently on the human element (more on that below).

This does not mean that technically adept wealth managers are not concerned with the interpersonal relationships and the psychology of their clients, but—from an objective standpoint—these are much lesser concerns for them than for elite wealth managers.

The human element

While elite wealth management can include some of the most sophisticated thinking and technical wizardry that is legal today, the human element is appreciably more important. In elite wealth management, each client takes center stage. The technical brilliance of an elite wealth manager exists not for its own sake, but rather to serve clients. Elite wealth management must be grounded in what each unique client most wants.

This understanding is called the human element.

Elite wealth managers are very skilled at determining the self-interests of their clients. These include their hopes and dreams as well as their anxieties and concerns. By learning about their clients at such a deep level, elite wealth managers can create a level of security and comfort that becomes the foundation of a mutually rewarding relationship.

For too many professionals, the human dynamic is secondary to legal and financial expertise, and sometimes the human element gets addressed in a very superficial way. To get optimal results, an elite wealth manager must be acutely attuned to both the emotional side and the rational side of each client's world—the logical and illogical. This includes not only the client per se, but also other people—especially people the client cares about—and even institutions such as charities.

The upshot: An elite wealth manager's focus is the client and the people, institutions, and goals that the client sincerely cares about—the human element. And it's this willingness and ability to know the client deeply, and then offer solutions that reflect that deep knowledge, that separate the elite from the rest of the pack.



VFO Inner Circle Special Report

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