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GETTING THE MOST FROM YOUR WEALTH MANAGEMENT TEAM

If you work with a wealth manager, chances are he or she works with a team of experts to help deliver financial solutions. Check out what you need to know about your wealth manager's network of professionals.

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Getting the Most from Your Wealth Management Team



KEY TAKEAWAYS

- It's good to know how a wealth manager selected the people who are part of his or her team of experts.
- Ask about how the wealth manager and the team work together to develop ideas and solutions that benefit you.
- Learn how the whole group is compensated, too.

We strongly believe that most successful and affluent individuals need to be working with a high-quality wealth management team—the key word here being *team*.

Why? No single wealth manager we know—even the most knowledgeable and hardest-working professionals working today—possesses the full range of expertise that the affluent and the successful typically need in order to make smart financial decisions about their broad-based financial lives. To make that happen, some kind of team effort needs to be involved.

How that team comes together depends on many factors. The wealth management team members may be employed at the same firm as the wealth manager. For instance, say the wealth manager is working in a large bank. There may very well be other types of wealth planning experts within the company that he or she can enlist when appropriate. Conversely, the team members could be other professionals working at different firms than the wealth manager's. For example, say a wealth manager doesn't have deep expertise in how to structure life insurance portfolios. He or she may choose to have a strategic alliance with a life insurance professional who is devoted to that type of planning.

There is, however, a complication. While a large percentage of wealth managers will say they have a great team of professionals they can draw on, some of these wealth management

teams are lacking—they're just not up to the job that the affluent require. The arrangements with other professionals may not be set up in a manner that delivers the best possible financial (and related legal) solutions in the most cost-effective manner.

Increasingly, we see that the wealthy are making concerted efforts to understand the roles and responsibilities as well as the operating arrangements their wealth managers have with these other professionals. The logic behind these efforts is to ensure that they are getting the best professionals possible working with their wealth manager on their behalf.

The following are some of the questions the very wealthy are asking of their wealth managers to get a better handle on the nature of the teams of experts they put together.

What is the area of expertise of each team member?

Each professional who is part of a wealth management team will have a certain area of expertise. Examples include:

- Tax-wise charitable giving
- Sophisticated retirement planning
- Asset protection

With a well-constructed wealth management team, there is little overlap among the various professionals. You are looking to see the depth and breadth of the wealth manager's roster of experts.

How were the various professionals evaluated in order to be designated as part of the wealth management team?

Your wealth manager will likely tell you he or she carefully selected some of the very best professionals to be on the team. What you want to understand is the way your wealth manager selected each of the team members. For example:

- How were the professionals first identified?
- What was the screening process?
- What is your wealth manager doing to ensure these professionals stay at the cutting edge in their respective areas of expertise?

You are looking for your wealth manager to explain the reasoning he or she used in bringing a professional onto the team. Thus, you can feel confident as to the qualifications of the professionals involved.

This is about explaining the specialists' credentials and stature within their field. For instance, the more the specialist is recognized as a thought leader by peers (including competitors), the more likely he or she is indeed an expert.

How is your wealth manager getting the professionals to work together?

There is a strong tendency for different professionals to emphasize their own expertise and solutions. After all, if you're a master at swinging your particular "hammer," then it's likely every situation looks like a "nail" to be struck. Your wealth manager has to be able to keep all the team members aligned and working *in your best interests*—not in the best interests of the other professionals.

There are a number of different ways for this to happen. Holding strategy sessions with the different professionals to review your situation is one commonly used approach. Here, your wealth manager brings together the different experts and explains your specific goals and concerns as well as what actions you have taken to date. Then, your wealth manager runs a brainstorming session looking for ways to further optimize your financial situation.

How are the different team members compensated?

It is always useful to know how everyone is paid, because compensation plays a big role in how people are motivated to do what they do. Different professionals have different compensation arrangements—and that's okay. Lawyers, for example, charge hourly fees, retainer fees and project fees. Life insurance agents, on the other hand, charge commissions. What you're looking for more than anything is *clarity* of the fee structures being used. At the same time, some team members could be willing to reduce their fees—when possible—as part of their understanding with the wealth manager. You want to know if this is the case in your situation.



You also don't want to be surprised by unexpected fees. Knowing when these professionals are "on the clock" as well as when their contributions are not costing you can be very informative. In the strategy session, for instance, the insights and ideas from the various professionals are rarely charged to clients. But when professionals are subsequently engaged to create a plan or to implement a solution, chances are you will be charged. Understanding this landscape can lead to further clarity.

How is your wealth manager compensated by the team members?

There might be times when your wealth manager financially benefits when one of the professionals does business with you. For instance, if you buy a life insurance policy from a life insurance agent who is part of the wealth management team, the wealth manager might share in the commission you pay. At other times, such as when you are working with a lawyer who is part of the wealth management team, the wealth manager may not be compensated. So here, you are aiming to understand the full scope of the arrangements the wealth manager has with the professionals on the team.

Again, there will likely be different arrangements depending on which professionals are involved, so don't expect perfect consistency across the board in terms of payment structures. Sharing compensation between certain professionals is the norm. This is most often the case when it comes to financial products. What you are looking for is transparency. It usually makes perfect sense for your wealth manager and a high-caliber life insurance agent to share fees. It's important that you know this is the case so there isn't confusion or misplaced suspicion.

Implications

The only way you can be assured—or as assured as is reasonably possible—that you are getting the best professionals to assist you is to learn how they work on your behalf as well as how they benefit by aligning with your wealth manager.

Ultimately, you want complete openness when it comes to who is part of your wealth manager's professional network and how they came to be part of the team. On a related front, understanding all the compensation arrangements surrounding the team can be very beneficial. You will know what costs you are likely to bear and where the wealth manager has made the situation more cost-effective for you if possible.

Failing to be proactive when it comes to your financial life can lead to less-than-stellar outcomes. It can sometimes result in significant mistakes and even losses. By actively seeking to understand how your wealth manager's team was put together, how it operates to serve your needs and how each team member is paid, you can do a great deal to put yourself on a path toward pursuing an optimal financial life.

VFO Inner Circle Special Report

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