Managing your wealth

How using a wealth manager can be like having your own personal CFO **Interviewed by Sue Ostrowski**

If you're looking for someone to invest your money, any number of financial advisers will do. But if you're a high-net-worth individual who wants someone to manage everything from investments to estate planning to insurance, a wealth management professional is better suited to meet your needs, says Michael Spector, CEO of Vista Wealth Management, an affiliate of Burr Pilger Mayer.

"Do you just want someone to invest your money for you, or do you want someone who can pull together and manage all areas of your financial life?" he says. "A wealth management professional will not only invest your money but also act as your personal CFO, building a relationship with you to guide you through every aspect of your financial health."

Smart Business spoke with Spector about the key differences between a traditional investment adviser and a wealth manager.

Michael Spector
CEO
Vista Wealth Management, LLC

Who can benefit from wealth management services?

Almost anyone can benefit from the services that a wealth management firm offers, but most firms have hard minimums and will not work with clients who have less than $1 million of liquid investable assets. Individuals and families that value professional advice and are seeking guidance on all areas of their finances, not just the investment piece, will benefit from wealth management services.

What is the difference between wealth managers and traditional investment advisers?

At Vista, we have modeled much of our service and process based on a formula created by John Bowen, founder of CEG Worldwide: Wealth management equals investment counseling plus advance planning plus relationship management. You need to have all three of those things to provide wealth management.

A majority of advisers in the investment community call themselves wealth managers, although a study by CEG found that 93 percent of those calling themselves wealth managers were really just providing traditional investment generalist services. These investment advisers typically review a client's portfolio, make suggested changes and then follow up with quarterly performance reviews. The focus is on the investments and the relationship is mostly transactional.

With wealth management, the investments are a piece of it, but the real value comes in the advanced planning and getting the client's financial house in order. The wealth manager helps a client deal with a variety of issues that include estate planning, insurance planning, cash flow management, retirement planning, charitable giving, college funding, special needs trusts and asset protection, providing the individual with a top-level analysis and recommendations much the way a CFO would present findings to the CEO. In both scenarios, the client is the CEO; the difference is whether or not a CFO provides guidance and does the heavy lifting for the CEO.

How do you identify a wealth manager who's right for you?

The people are the most important component for any relationship, so making sure that you have absolute trust in the integrity of the team is of paramount importance. You will need to understand what services the firm offers and how they are delivered. Does it have in-depth knowledge of these areas and the services it says it's going to be providing? Does it have a process that it adheres to and a systematic way of delivering those services? It's also wise to ask for client references.

How does the process of building a relationship with a wealth manager work?

Most firms start with a type of discovery meeting. Oftentimes the client will be asked to bring bank statements, broker statements, tax returns, wills or trusts, insurance declaration pages, outside investments and any other documents relative to his or her financial situation. The intent is for the adviser to understand the client's goals and desires and to build a client profile that includes these goals, as well as values, significant relationships, assets, other advisers, interests and hobbies. From that, the wealth adviser can start to understand the client and begin mapping out both the investment plan as well as advanced planning issues that will need to be addressed in the coming weeks, months and years.

Whereas an investment adviser might say, 'Here's what you should do with that money,' a wealth manager takes a more consultative approach, really getting to know clients and everything that is going on in their lives that could have any bearing on their finances and their financial goals.

The adviser will then develop an in-depth plan and a list of actionable opportunities. After the potential client reviews the plan and decides whether or not to move ahead, there is a commitment to the process, at which time the individual or family becomes a client and both sides agree to adhere to the plan. In our firm, we always follow up with a new client 45 days after we begin to make sure that we are all on track with expectations of each other. Then there are regular quarterly meetings, although those meetings can also be more or less often based on the client's needs.

How do wealth advisers charge for their services?

Most wealth advisers have some form of asset fee, charging a percentage of assets under management. Some charge on a sliding scale, with the larger the amount of assets under management, the lower the fee. For example, if someone has $5 million under management and is being charged a blended rate of 0.75 percent, they would pay $37,500.

Other advisers charge that same fee, then charge other fees for ancillary services such as estate planning and insurance planning, a combination of assets under management, plus fees for a la carte services. Finally, some firms work under the notion that they're managing much more than liquid wealth; they manage your home, rental properties, outside investments, etc., and add up all the assets on which they're advising to determine a fee. <<

MICHAEL SPECTOR is the CEO of Vista Wealth Management, an affiliate of Burr Pilger Mayer. He can be reached at (650) 855-6806 or mspector@vistawm.com.