

# SENIOR CONSULTANT

The Voice of the Investment Management Consultant

## Creating Value

*Sandra Champion, AIFA, President, Champion Partners*

Where do you turn for assistance when you want information on foundations, endowments, Taft Hartley, the ultra high net worth or other specific market niches? The investment industry has traditionally focused on meeting their clients' needs through product distribution, and yet new trends would suggest that servicing client needs through advice is gaining popularity. This concept brings forward the need for a new level of skill for the financial advisor. Is it realistic or even appropriate to ask an investment advisor to address and administer the holistic needs of their clients? What tools are available to support their success? Is it realistic to believe that every "specialist" employed by your investment firm can deliver objective advice when their job security is also linked to their groups' profitability? Is it wise to solicit advice from an outside specialist who has little to no understanding of the complexities of the investment industry? Where is the value proposition for the advisor? Is there a choice?

I have specialized in addressing the needs of the advisor community as it relates to foundations and families for well over a decade. As you can imagine, the anticipation of \$21 billion (new dollars) entering this specific market niche between now and 2052, has many groups scurrying for ownership. You could probably equate it to the gold rush of yesteryear.

Several months ago, I met with a group of "philanthropic advisors." They congregated in the back room of a hotel during a national conference. The individuals came from a variety of backgrounds and professions, and yet their purpose was the same: Penetrate and control the new and emerging market called "private philanthropy." The advisors came from the legal profession, the non-profit community and even from a wealthy family. The latter felt entitled to be an "advisor." I was the sole representative from the investment community.

During the meeting each was asked what they felt, skill-wise, they needed to advance their knowledge so that they could represent themselves as "total experts"

in working with private and independent foundations. One of the philanthropic advisors was quick to verbalize his need to attain a Series 7 so that he would be able to interact with the investment community. He went on to describe how he had spent six months at Goldman Sachs and that this "7" was indeed something that each member of the group should consider. (Historically consulting, as modeled by Goldman Sachs, strongly reflected commissioned sales.)

His comment reminded me that too often we forget what we do well and what we have a passion for doing. Often it is the proficient professional who finds incredible value-added by working with others that possess different and yet complementary skills. Shared success is an incredibly powerful tool.

Minutes later the attorney began to talk about his proficiencies in all areas of private philanthropy. Having worked with many attorneys over the years, both good and bad, it has been my experience that the best are usually the ones who say, "I am an attorney, and this is what I do". Credentials have not necessarily provided any guidance. The good ones as well as the not-so-good ones seem to have the same licenses! Attorneys are fabulous at the technical aspects, such as drafting documents, but generally are not very accomplished in the directing

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a strategy, particularly in the investment arena. Again, the lack of understanding that one person simply can't do it all seemed to be absent.

As we progressed around the room, another gentleman spoke up. He openly gave his name and a detailed description of his proficiencies. His statements were incredibly powerful because they openly included what he had a passion for doing and the strength of his organization, followed by complete disclosure of his weaknesses and his strong desire to do only those things at which he was really good. He then expressed his desire to work with other organizations in a supportive and open manner.

Unknowingly he had given me a new level of understanding. His "weakness" was my strength and my "strength" was his weakness. We could work



together without owning each other. I could rely on his expertise, and he could rely on mine.

We represent the new breed of advisor who acknowledges that we can't do it all. We say: "This is what we do, and this is what we love to do. How can we help you experience the same?" Collectively, we support ethical philanthropy centered around the goals of the family as a single and often powerful unit. We work in tandem. We have complete trust in each other's abilities. Agendas are client-centered, and egos are left at the door. There is a new responsibility that seems to emerge through this open architecture format.

Recognizing what you, as a professional, really enjoy doing is a very important part of success. It allows you to be comfortable with your own accomplishments and inadvertently allows you to experience a type of teamwork that most investment professionals never felt could be achieved. The investment industry has always been extremely competitive and as a result, has lost many competent professionals. Had those professionals recognized their own weaknesses, embraced them, and then offset

them via the use of others with complementary skill sets, they would most probably be enjoying a long and prosperous career without interruption.

Over the past few years, there has been an industrywide emphasis on the need to transition traditional transaction business to fee-based consulting. This transition is not an easy task for someone who is successful and respected in the brokerage community. While disagreements may exist about business models, agreement does occur regarding client service. The broker does not necessarily need to be limited by his own skill set in responding to a client need.

I have had the pleasure of working with Greg who has been a stockbroker for over 20 years. He loves his business and is extremely good at it. His clients love him, and the SEC never heard of him. We share a client. I provide strategic and educational support to our mutual client, who requires specialized expertise in working with foundations and families. I support Greg's tactical implementation of our strategy for our client's portfolio. In this case, I am paid an annual assignment fee, and Greg is

compensated through commissions and fees. (In other instances, the advisor compensates me for developing his expertise, creating marketing initiatives as well as supporting his efforts in this market segment.) When we first met, Greg was certain that I would recommend that he be fired. After all, he was not a consultant, and he assumed that I would be biased to a consultative relationship. He had no desire to be a consultant, and more importantly, my client didn't feel the need to have a consultant. He liked Greg, and Greg fulfilled a need. Providing independent advice that is client-centered starts with the client understanding the options. Once options are presented, there are choices to be made. Remaining unbiased is not easy, but it is appropriate and required under UMIFA/UPIA. The client, Greg and I have a very solid relationship. Our skill sets are complementary.

Has it been a mistake for the investment industry not to recognize the old guard as having added-value, in spite of the fact that they are not moving in the "preferred direction" of fee-based consulting? Can there be shared respect for both? After much thought and many

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conversations, I would suggest that this can, indeed, be the case.

After surviving almost 20 years in the industry and witnessing the advancements made, not only by technical tools but also by advanced professional education and designations, I have somehow thought that “we” had advanced to another level in the minds of other professionals. Perhaps the key here is to first be able to differentiate and respect each other. Of course, then, I am reminded of the events that have occurred within the investment industry during these past few years: Enron, Worldcom, scandals, client lawsuits. I am certain that what lies ahead is a time of great opportunity, especially for those of us who have chosen to meticulously define our passions and who can articulate how we add value to our clients, to our industry and to each other. Success can and should be a team sport. We can choose to deviate from the traditional path and offer a value proposition that one-stop shopping can never provide.

Through this open architecture format, my desire is to support professionals and substantial families where I or one of my “partners” can add significant value, without being linked to a product. Champion Partners is a holding company whose primary mission is to develop open architecture structure that allows organizations as well as individuals to participate in best practice opportunities in a variety of areas. Philanthropic Partners, a subsidiary, provides strategic direction for private foundations and supports the advisor community in developing this area of expertise.

As an example, when Philanthropic Partners works with a foundation, we take the time to engage the family in the process of financial philanthropy. We discuss the need for vision, mission and goals, and then link these to their investment policy statement. We bridge a need to have the family recognize that the investments are simply tools that allow grantmaking activity to last. No products, just an understanding that without a sound financial process their philanthropy can have no legs, no matter how passionate they are. Their advisor may be an accomplished financial guru, but without the understanding of the needs of the foundation (beyond cash flow), the advisor will not be able to keep a balance within the organization through difficult times. We provide a conduit that allows best practices and best philanthropy to flourish. Not understanding creates frustration. By bridging the differences, frustration levels can be greatly reduced or made simply go away.

Many established advisors, those we call the old guard, have significant relationships with substantial families. They add value through established relationships and trust. They recognize what they don’t know. It has been a mistake for the financial services industry not to recognize that the old guard does add value, that they do not necessarily need to become consultants. They often have expertise in picking stocks and generally understand the market. The industry does not need to choose “either/or,” but rather, should elect to embrace the strengths of each business approach.

The most important concept in serving our clients is to respect our clients’ needs. We, as an industry, need to trust each other’s strengths as well as identify and admit each professional’s weaknesses. If the old guard sees and respects the clients’ needs and understands that they need additional expert assistance, we can create expert teams to fulfill the client’s financial goals and objectives, with each team member adding value. Our team members do not have to all come from the same “mother ship.” Diversity adds strength. Would you go to a gastroenterologist for a toothache? ■

**About the Author**

Sandra J. Champion, AIFA, president of Champion Partners and managing partner of Philanthropic Partners, has been actively involved in the investment industry for more than a decade and has strongly advocated the implementation of change from transactional sales to value-based consultative solutions. Her expertise in the area of foundations and endowments (\$497 billion industrywide) has given her national and international recognition. Sandy is published and is a featured speaker at various events across the nation. An active and recognized as a leader in the Investment Management Consultants Association and an Accredited Investment Fiduciary Auditor, Sandy is currently working on a collaborative project with the Center for Fiduciary Studies to create a book that defines UMIFA and UPIA and the regulations that govern foundations, endowments and trusts. She may be reached at 940-887-3115.

Champion Partners is a national consulting firm dedicated to providing support and education to the segment of the advisor community that wish to advance their business in areas of foundations, non-profits and substantial families. Philanthropic Partners is a division within Champion Partners that provides education and direction for the philanthropic community in areas where financial understanding is needed.

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