

# SENIOR CONSULTANT

The Voice of the Investment Management Consultant

## An Investor's Guide to Wealth Management Team

Steven Drozdeck and Lyn Fisher

This "FOR INVESTORS" article series is derived from interviews with a number of highly effective wealth management teams who provide superior services to their clients.<sup>1</sup> The series covers both the expectations you, the investor, should have of a wealth management group and what they should expect from you. By going beyond the promotional marketing presentations you may be accustomed to receiving, we will present team philosophies, beliefs, and attitudes about client servicing. *You will learn how to evaluate and choose the key (financial and non-financial) advisor(s) who will help you attain your financial goals and life dreams.*

### Seeing the Elephant

There is a variation of an old Buddhist story of a King who asked his counselors to get a large magnificent elephant and four blind men. The then brought the four blind men to the elephant and told them to find out what the elephant would "look" like.

The first blind man touched the elephant's leg and reported that it "looked" like a pillar. The second blind man touched the elephant's side and said that an elephant was like a wall. The third touched the elephant's ear and said it was like a piece of cloth. The fourth blind man held on to the tail and described the elephant as a piece of rope. They could not agree on the "appearance" of an elephant.

The King asked the citizens: "Each blind man had touched the elephant but each of them gives a different description of the animal. Which answer is right?" "All of them are right," was the reply. Why? Because each blind man only felt a part of the elephant and extrapolated the rest. None were able to "see" the entire elephant.

Isn't that the challenge for many investors? The insurance professional sees the insurance portion of the financial plan, the CPA the tax portion, the financial advisor manages the portfolio, the attorney the estate plan, and so on for all of the other advisory professionals – often resulting in an uncoordinated jumble of ideas and tactics.

However, your total profile is a compilation of many aspects of your life. You should have a chief advisor who can view the whole process—your finances, dreams, values, charitable interests, family goals, etc.—in order to get the big picture, and then orchestrate the efforts of the others to help you achieve your dreams. This is a more effective and comprehensive wealth management approach. Isn't that what you deserve? The advisor who can bring the appropriate professionals together to

comprehensively meet the needs of their clients and who have the sophistication to orchestrate the talents of those other professionals, is both rare and valuable.

In cases involving affluent and wealthy individuals and groups with complicated financial situations, the need for a multi-disciplinary approach is obvious: 1) No one person has sufficient knowledge or time to address the full range of issues; 2) You are a complex, multi-faceted entity that cannot be dealt with in bits and pieces.

As a concerned investor you should insist that your legal, financial, real estate, business valuation, insurance and other advisors act in concert with one another to provide integrated, coordinated solutions that analyze the total picture, not one limited aspects. Otherwise, a hodgepodge of investment solutions will result in failure to attain your goal—and that is unacceptable. Discerning, sophisticated clients realize they don't have the necessary judgment or expertise to evaluate all of the wealth-building and protection alternatives available to them. They realize that they must engage professionals,

who have specific knowledge, on their behalf.

For instance, when building a home, you rely on the architect to design the home and prepare detailed plans. You expect that a General Contractor—who has access to carpenters, electricians, plumbers, bricklayers, etc—will build the home. You would not expect the General Contractor to all the work himself. The same things is true for medical and legal teams. Why, then, should

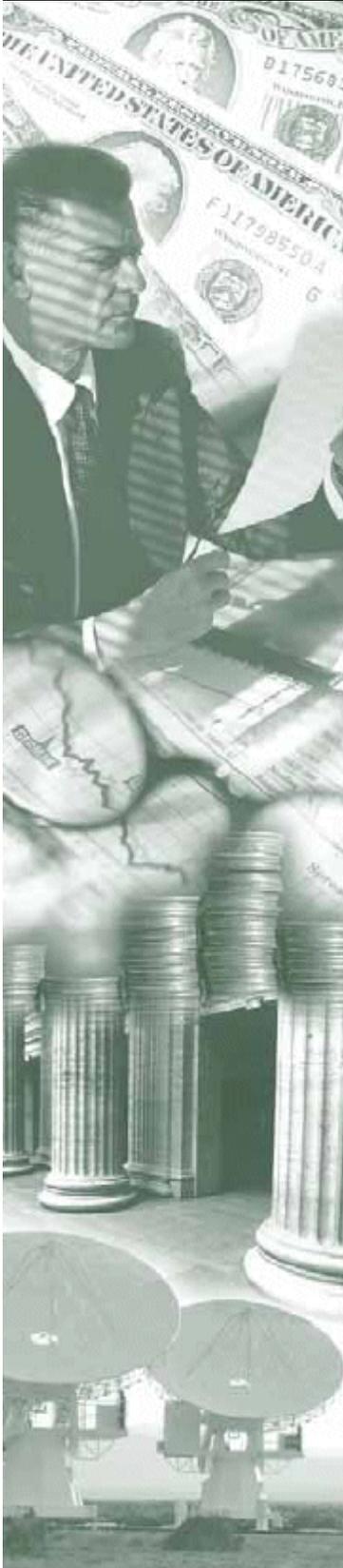
anyone expect one advisor to do everything?

Everyone involved in providing or receiving sophisticated, multi-disciplinary advice understands that a team approach is mandatory with one chief advisor— not necessarily the financial advisor—should act as the architect, general contractor, or maestro.

**THE INSURANCE  
PROFESSIONAL SEES THE  
INSURANCE PORTION OF  
THE FINANCIAL PLAN, THE  
CPA THE TAX PORTION,  
THE FINANCIAL ADVISOR  
MANAGES THE  
PORTFOLIO, THE  
ATTORNEY THE ESTATE  
PLAN, AND SO ON**

### Team Differentiation

While the specific structure of a team can vary—from a self-contained unit to having a number of independent strategic relationships—what really matters is that each member of the team is a highly competent individual who has expertise (not just knowledge) in his or her field. Team members must be able to work together despite different background training on your behalf. Such teams do not develop by chance. They are the result of real determination to establish, maintain, and enhance their collaborative efforts.





However, a team is much more than the group of credentialed professionals working together as described above. Each professional should also have a dedicated staff of well-trained people who are essential components to providing their clients with high-level advice and service.

The essential argument for a wealth management team is that wealth management is inherently a complex undertaking that cannot be done at the A-level by an individual, no matter how skilled or experienced. As stated before, each client should think of their net worth as an operating business that requires a business plan and the delegation of certain tasks to an expert management/advisory team. An effective advisory team requires the coordinated effort of three primary professional disciplines: legal planning, tax accounting, and asset management. In most cases, this requires the services of a law firm, an accounting firm and an investment advisory firm with skills in financial planning, integrated financial management and financial product research.

Teams often illustrate this essential concept with a triangle consisting of an accountant, attorney and financial advisor/planner who represent each side of the triangle, you, the client, being in the center. While different teams use different diagrams to represent their essential services, whatever the diagram used, in the vast majority of situations the financial advisor/planner is the architect of the overall financial plan and investment management solution. Each professional on your team is highly competent and should be a team player.

### “My Wealth, Inc.”

It is vital that you manage your wealth in the same way a CEO manages a corporation. A wise CEO has excellent subordinates in key areas with demonstrated competence—and who work with each other to accomplish the firm’s goals. This top executive hires only the best people with strong track records and relevant experience. The CEO also has a responsibility to the shareholders to manage the company to the best of his or her abilities. As the CEO of your own wealth “corporation,” your job is to ensure that your assets are well managed by highly competent people, that the goals of the corporation are achieved, and the values of the corporation are continued. If this is achieved, you are a good steward of your wealth.

If you have significant wealth, you should be working with the best legal, tax, and financial advice that money can buy. However, even if you

aren’t wealthy, you should be working with the most talented professionals available to you. Your money is much too important to be handled by inexperienced or moderately competent people. It is also important to have strong representation in each of the key disciplines of investment, accounting, and legal.

Look at it another way. Before you hire an advisor, you should look at five things: 1) price, 2) quality of advice, 3) service, 4) skill, and 5) experience.

Assume that you’ve already determined through your research that the advisor you’re considering hiring is highly skilled and has the experience necessary to manage your assets. So if price<sup>2</sup> is taken out of the equation (assuming that all advisors have the same or similar price structure), then quality of advice and service become the primary considerations. Working with a team provides you with superior advice from specialists who exist within both the internal and

taxes, disinheritance of a spouse or child, and losing most of your net worth because of inadequate insurance. Unintended consequences occur from poorly designed financial plans or investment strategies put together by “professionals” who did not see the big picture or did not do any contingency planning. As one advisor said, “You can do all the tax planning in the world, but if you lose half of it to a divorce, what good did it do you?”

### Not All Teams Are Created Equal

It’s important to realize that while financial representatives at large or small firms may tell you that they are members of highly functional teams, it is often the case that they are not. Here are some questions you should ask any potential advisor to find the truth:

- How long has their “dedicated” team worked together?
- How did they get together and “why?” (The answers will offer excellent insight into their structure and values.)
- Who are the other team members; what are their qualifications; are they “exclusive” or “dedicated” to the team or are their services shared by other financial representatives? (If a sales associate is shared by two or more independent reps—not team members—that person cannot be considered part of anyone’s team. Ideal teams have “dedicated personnel.”)
- If the prospective advisor works within a larger firm, ask for specific background information about departmental representatives they work with on complex problems (Most financial representatives in large firms deal with whatever tax expert or attorney happens to be available. By asking for specific biographical information and specifics about the person, you’ll know whether their “expert” is someone they’ve had numerous interactions with or is just another name in a large corporate directory.) Another consideration is whether that firm’s accountant or lawyer is brand new to the profession and/or the industry.
- What are their professional designations or certifications?
- What are their professional alliances outside of their firm? Your advisor should be familiar with the personal details of these alliances and, if you call that outside

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external team and who, ultimately, will give you better service. Your calls are answered more quickly, your requests are fulfilled faster and with greater accuracy, and you’ll obtain higher levels and advice, as well as continuity of advice and service.

Future articles discuss questions that you should ask your advisors as well as review a number of mistakes investors make when choosing their advisors, such as: selecting an individual because he or she works for a major firm or is a family member, and being swayed with unrealistic expectations.

Recall the dilemma of the four blind men as they tried to describe an elephant. Each had a limited perspective and described the entire animal based upon limited knowledge.

Unfortunately, many financial representatives and other professionals may have a myopic view of you based upon their field of expertise, their training, predispositions, and the profession-specific questions they ask.

Typically, there is very little communication among advisors and that can breed inconsistency. Unless there is a highly knowledgeable person in the overview position, unintended consequences can occur such as dramatically increasing estate

professional, he or she should be able to sing the praises of the advisor.

- What is their exact process for handling complex situations?
- What are their compensation practices? Is there revenue-sharing in the form of referral fees or split commissions. If they seem to avoid or hedge the question, you should avoid them.
- How are all team members trained and what cross-training do they undergo each year?
- What are their objectives? Do they have a business plan?
- What is their investment philosophy?
- Ask to look at an actual financial or investment plan written for a client, instead of a sample plan written for a hypothetical client that was produced by the firm for marketing purposes.
- Ask for referrals to clients they have worked with as a team for at least three years. When you talk to these clients, ask them about their interactions with various team members—not just the primary advisor. It says a lot if the clients you speak with don't know the names of some of the other team members.

### In Conclusion

Don't settle for one-advisor shops who offer cookie-cutter solutions. Demand that high level professionals from multiple disciplines (financial, legal, tax, etc.) contribute their expertise to your individual situation.

#### Future articles deal with topics as:

- Matching Your Needs to Their Niche
- Look Before You Leap: Ask, Understand, and Investigate
- The Importance of Process
- Different Credentials and Why Credentials are Important

### About the Authors

Steven Drozdeck has been in the financial services industry since 1974 and has written numerous books and articles about best practices in the financial services industry for the benefit of both advisors and investors. He can be reached at [www.Drozdeck.com](http://www.Drozdeck.com), [www.TheProgressCenter.com](http://www.TheProgressCenter.com) or at 435-753-8848.

Lyn Fisher has more than 15 years experience in the financial services industry. Currently she is co-director of Fisher LeBlanc Group, a firm providing marketing and PR support for financial firms, and president of Financial Forum, Inc., a speakers bureau specializing in the financial services industry. She can be reached at [www.FisherLeBlanc.com](http://www.FisherLeBlanc.com), [www.FiancialSpeakers.com](http://www.FiancialSpeakers.com), or at 435-750-0062.

### References

<sup>1</sup> Information derived from *Wealth Management Teams: The Smart Investor's Guide to Evaluating and Selecting a Competent Team of Financial Professionals* by Steven Drozdeck and Lyn Fisher (Financial Forum Press, Jan 2005).

<sup>2</sup> Investors using price as the sole or primary criteria are often neglecting to consider quality. You usually get what you pay for.

### Notes

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## SENIOR CONSULTANT

1457 Crystal Springs Lane  
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Ph 804-643-1075 ■ Fax 804-643-1544

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