

**Cultivating the Ultra-Affluent:**  
*Best practices for understanding  
and working with the financial elite*

Estate Planning Council of Lower Fairfield County  
8 May 2013

**HSGROVE**  
**ON PRIVATE WEALTH**

# Key Themes for the High-Net-Worth

Unique qualities should be acknowledged & accommodated



As an individual's wealth increases so do the number and type of buffers surrounding them



The source of much significant wealth is business equity, though little attention is paid to ownership issues



Concerns tend to be topical but always include asset protection, estate planning and lifestyle maintenance



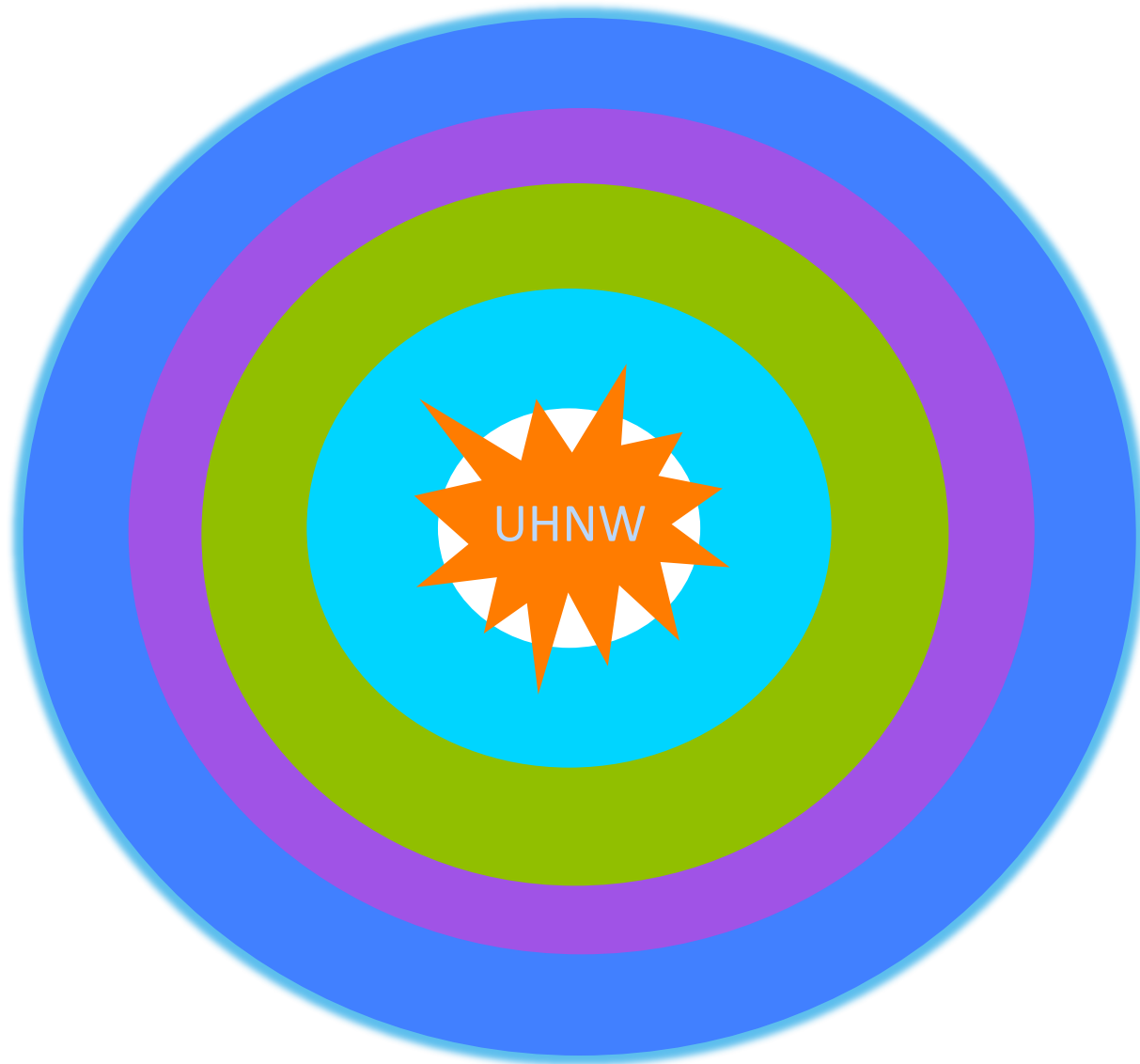
Heightened interest in the high-touch, high-customization services associated with family offices



Loyalty is a direct result of YOUR behavior in client interactions

# The Ultra-Affluent are Protected

Professional and personal buffers impede your access



# Another Disconnect with Wealthy Families

Trusted Advisor has many interpretations

Attorney  
Single-Family Office

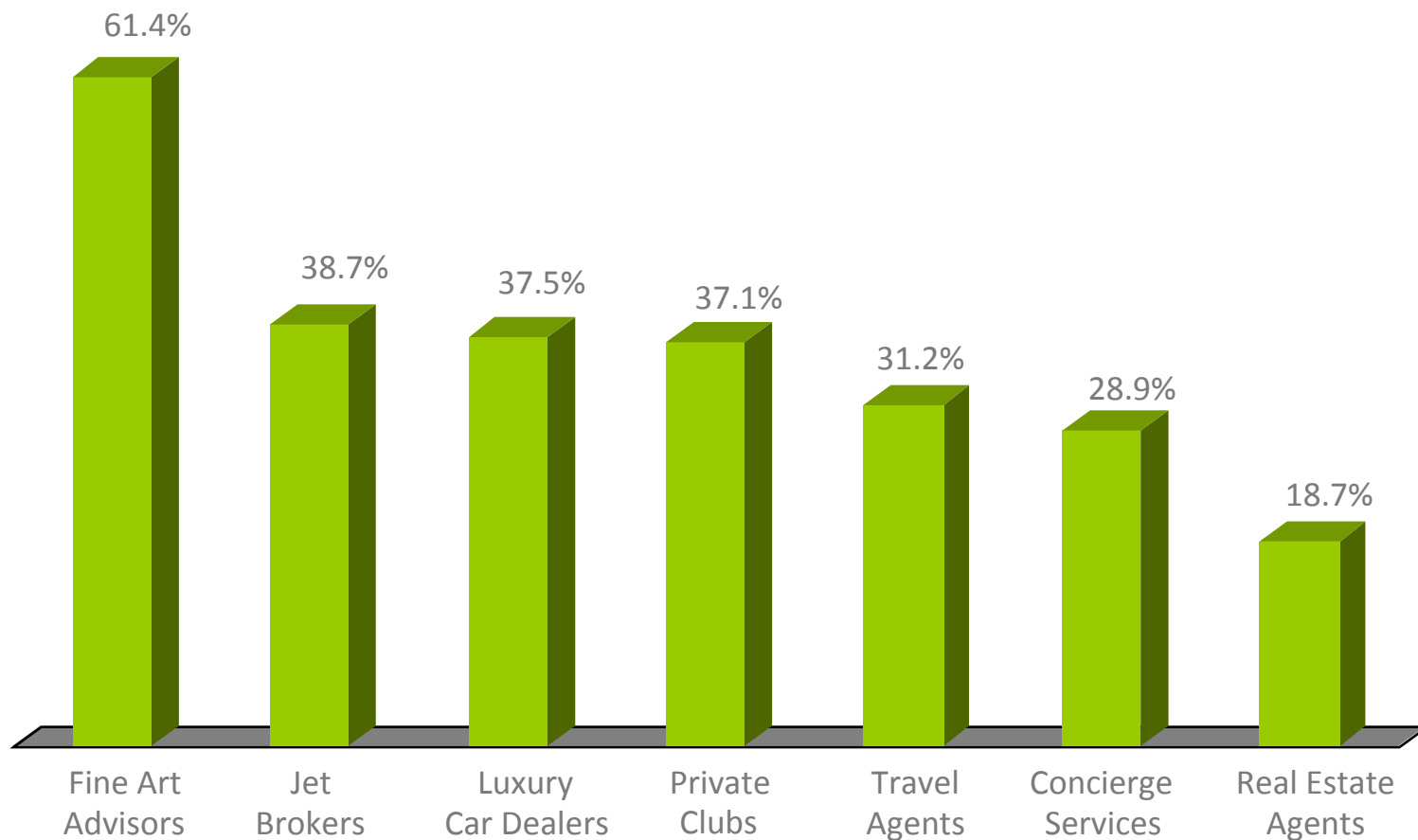


MFOs  
Insurance Specialist  
Investment Consultants  
RIAs



# Limited Loyalty Among the Super-Rich

Created through interactions, knowledge and synergy



N=127, 584, 104, 388, 493, 173, 209

# Most Common Complaints

Stem from superficial relationships between advisors and clients



## Lack of chemistry

Underperformance

**Too much talk about products,  
not enough focus on solutions**

*Poor working rapport*

**I didn't know you did that**

Nothing feels tailored... were you listening?

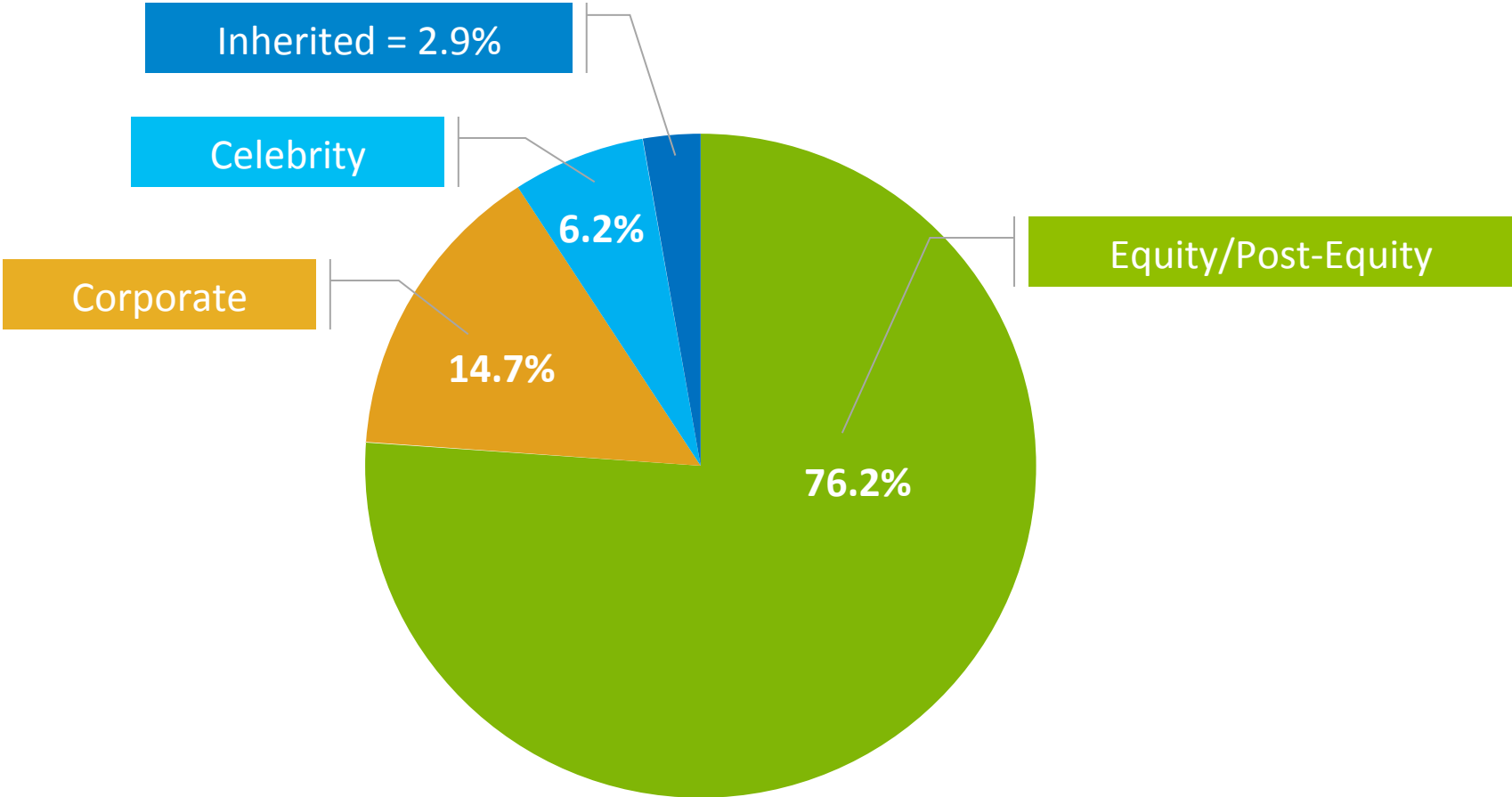
**DIDN'T LIKE RECOMMENDATIONS**

Your plan doesn't reflect MY goals

*I didn't know who to ask*

# Source of Wealth

Large majority of private wealth acquired through hard work



# Family Business Owners

## Family dynamics overshadow business issues

Very concerned about protecting the family's wealth	86.8%
Very concerned about protecting personal wealth	90.9%
Influence from non-business family members	65.7%
Intensely complex personal lives	90.1%
Intensely complex professional lives	92.6%
Business strains marriages	83.5%
My wealth makes me a target	88.4%
Hired a security consultant in past 2 years	57.9%



# Family Business Owners

## Inadequate succession, estate and advanced planning

Family maintains control of business	78.1%
Have a succession plan	75.6%
Implementing the succession plan	38.3%
Have an estate plan	78.1%
Estate plan >3 years old	79.4%
Wealthier since estate plan drafted	85.2%
Life-changing event since estate plan drafted	89.4%
Concern re: unjust lawsuits/divorces	89.7%
Have an asset protection plan	26.9%

# Privately-Held Businesses

Uncertainty and stalled planning create risk and exposure

	<u>Unprepared/Don't Know</u>
Owner/partner dies	70.2%
Owner/partner is disabled for >6 months	89.9%
Owner/partner voluntarily terminates	63.6%
Have Buy/Sell outside Operating agreement	63.9%
Disposition of control/voting rights if owner dies	44.7%
Integrity of management co. is assured if owner dies	84.2%
Formal succession plan for ownership & control	24.4%
Disability insurance on partners	28.9%

# What's Important to the Ultra-Affluent?

It's not always what you think...

Making sure heirs are taken care of	90.6%
Luxury lifestyle	88.7%
Best practices for dealing with advisors and attorneys	86.8%
Sophisticated tax strategies	85.8%
Being unjustly sued	83.5%
Lifestyles of the exceptionally wealthy	83.2%
Family offices	78.9%
Making meaningful gifts to charity	78.2%
Not being able to meaningfully enhance lifestyle	77.9%
Losing money in a divorce or other family conflict	76.4%
Identity theft	73.6%

# It Is Estate Planning

Making sure long-term goals are addressed intelligently

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Identity theft	73.6%

# It Is Asset Protection

Securing hard and soft assets in a time of uncertainty

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# It Is Lifestyle

## Building and maintaining a personalized environment

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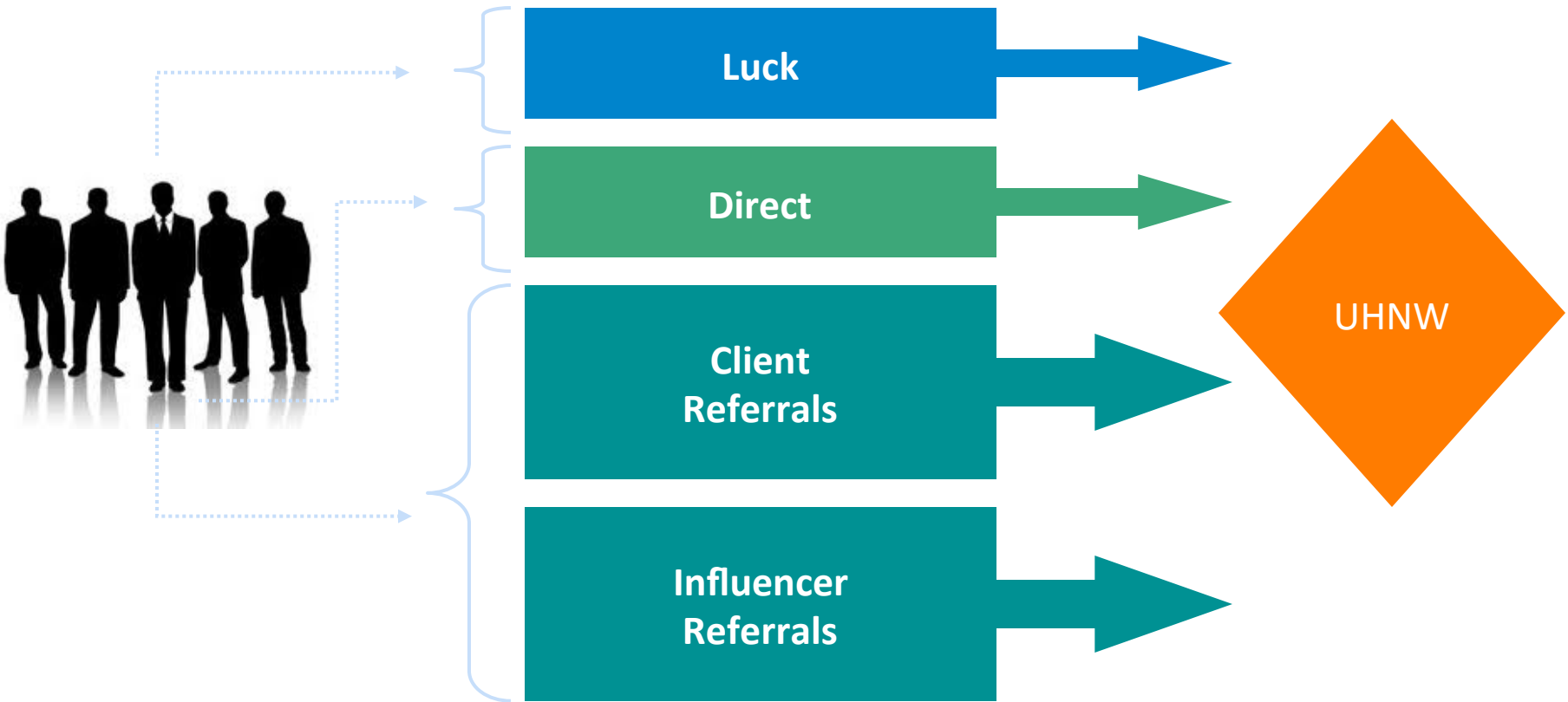
# Another Perspective on Priorities

It's not always what you think...

Having enough money in retirement	0.0%
Paying for children's or grandchildren's education	0.0%
Taking care of parents	0.8%
Residential real estate market continuing to falter	5.7%
Budgeting	0.0%

# Advisors Reach the Affluent in Three Ways

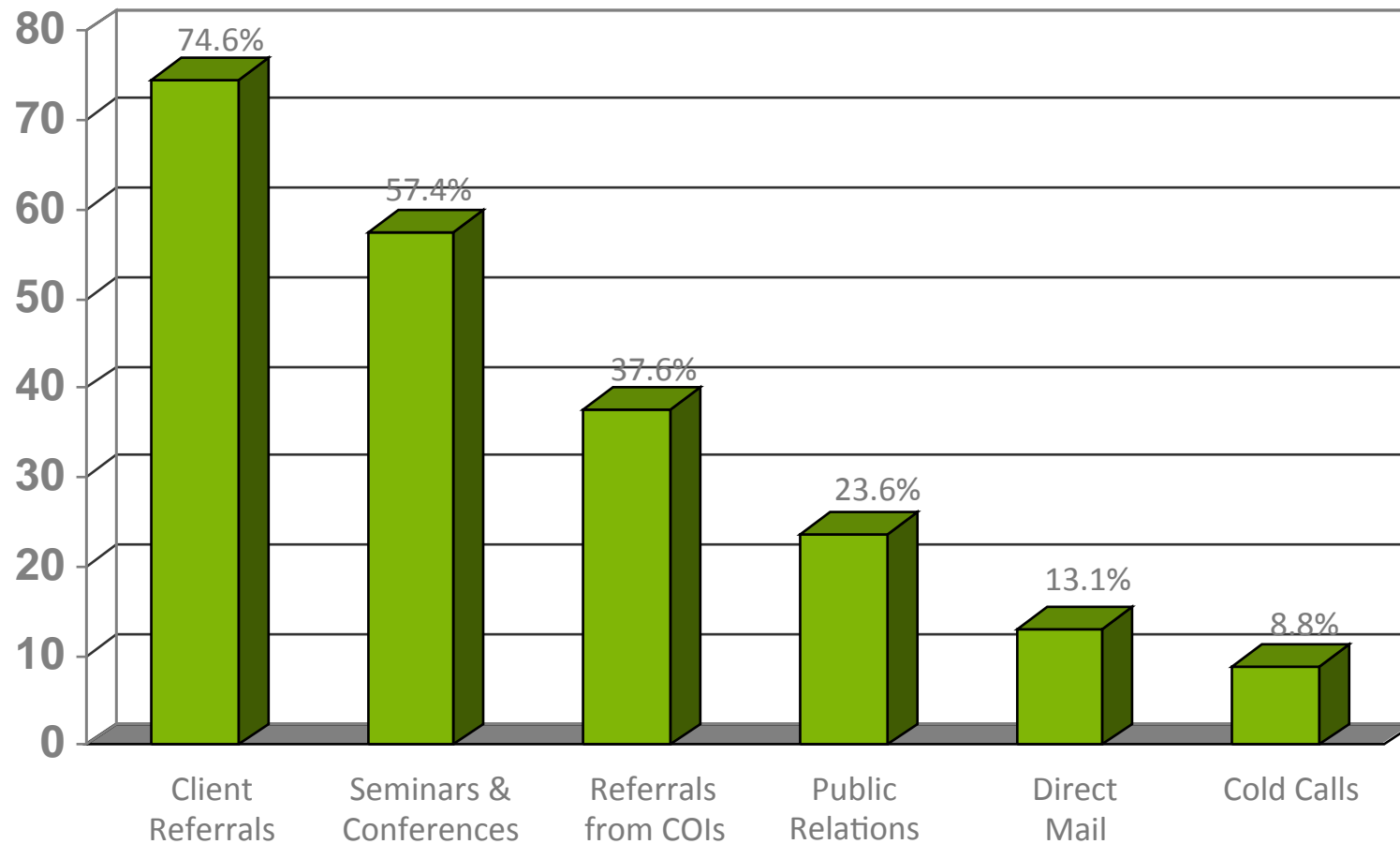
Having a brand that supports all three is efficient





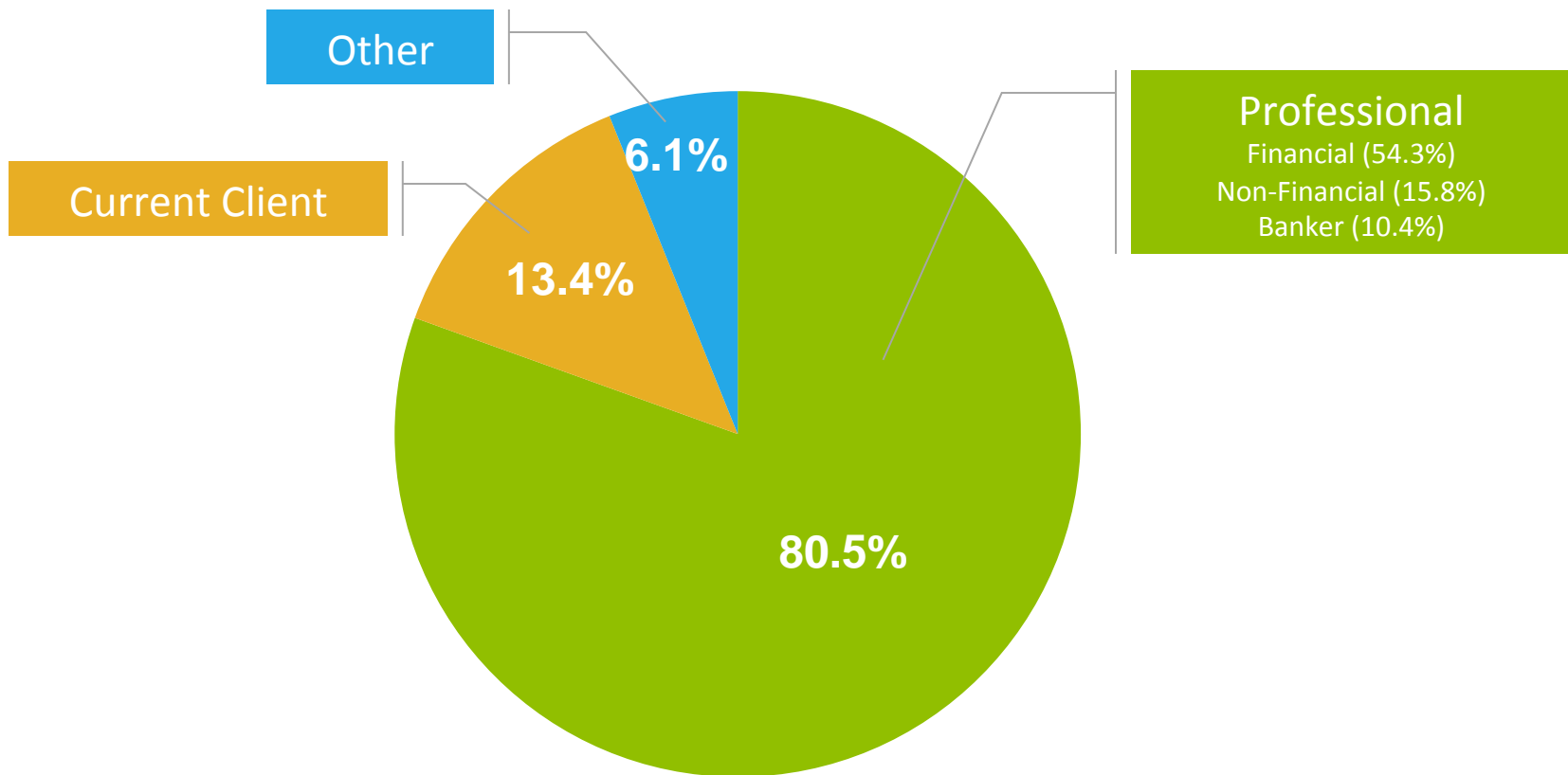
# The Advisor Perspective

## Perceived value of prospecting strategies



# The Ultra-Affluent Client Perspective

## How the \$20M+ net worth segment found their advisors



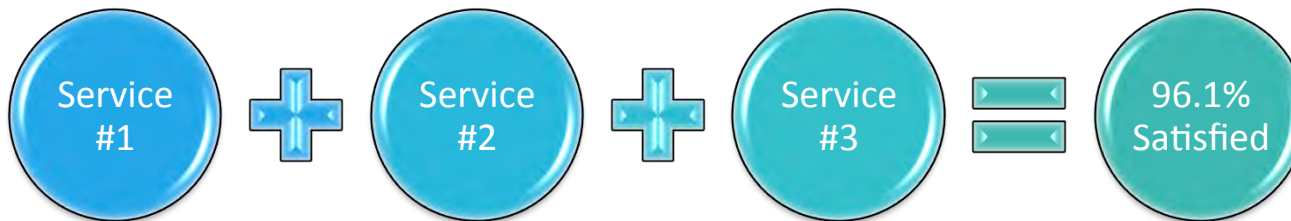
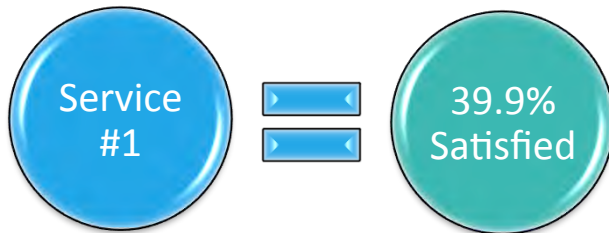
# Products Provided

More than half of all Elite Practitioners offer everything

	Investment Consultants	Wealth Managers	Elite Practitioners
Investment Management	100.0%	100.0%	100.0%
401(k)/Other Retirement	77.3%	95.8%	91.4%
Securities	76.1%	74.1%	80.0%
Lending/Mortgages	11.8%	76.2%	90.0%
Trust Services	1.4%	93.0%	92.9%
Investment Banking	2.2%	28.7%	62.9%
Life Insurance	0.5%	88.1%	100.0%
Commercial Banking	0.0%	49.7%	52.9%
Executive Benefits	1.9%	70.6%	65.7%

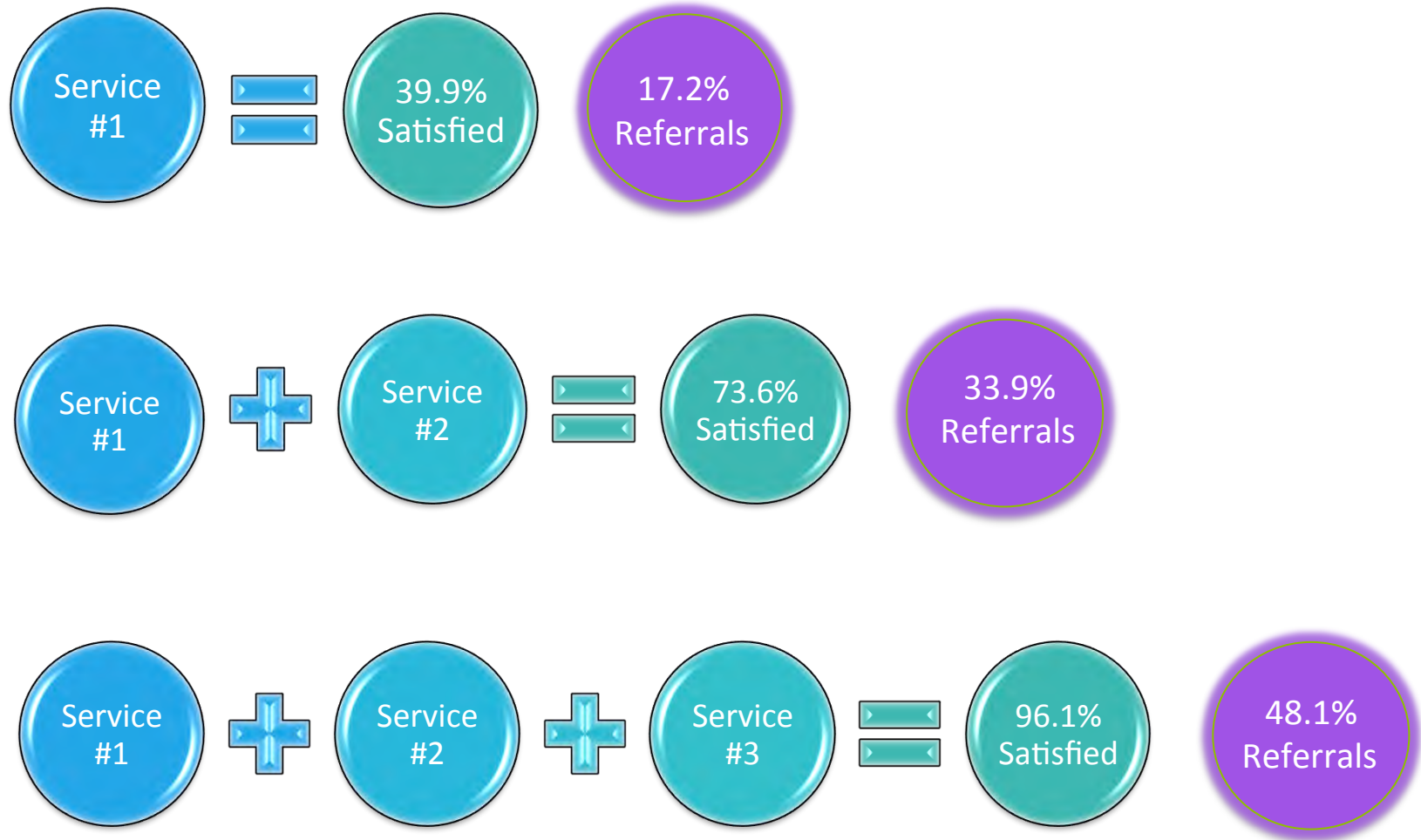
# The Art of Advice

A broader and deeper relationship can yield satisfaction



# The Art of Advice

A broader and deeper relationship can lead to growth



# Sourcing Affluent Clients

Most financial professionals concentrate efforts in two areas

	Top 10%	Next 25%	Bottom 65%
Client Referrals	74.3%	91.6%	93.5%
Professional Referrals	84.3%	70.6%	36.4%
Joint Ventures	32.9%	41.3%	20.2%
Seminars (invite only)	17.1%	12.6%	19.5%
Seminars (public)	11.4%	7.7%	14.5%
Other*	<8%	<6%	<4%

\* Including PR, advertising, direct mail, cold calling

## Source of Best 5 Clients in Last 2 Years

Past experience is no indication of current efforts

	Top 10%	Next 25%	Bottom 65%
Client Referrals	2.9%	4.2%	15.4%
Professional Referrals	80.0%	86.7%	81.7%
Joint Ventures	17.1%	9.1%	2.9%

# Bigger Tickets Come Via Trusted Professionals

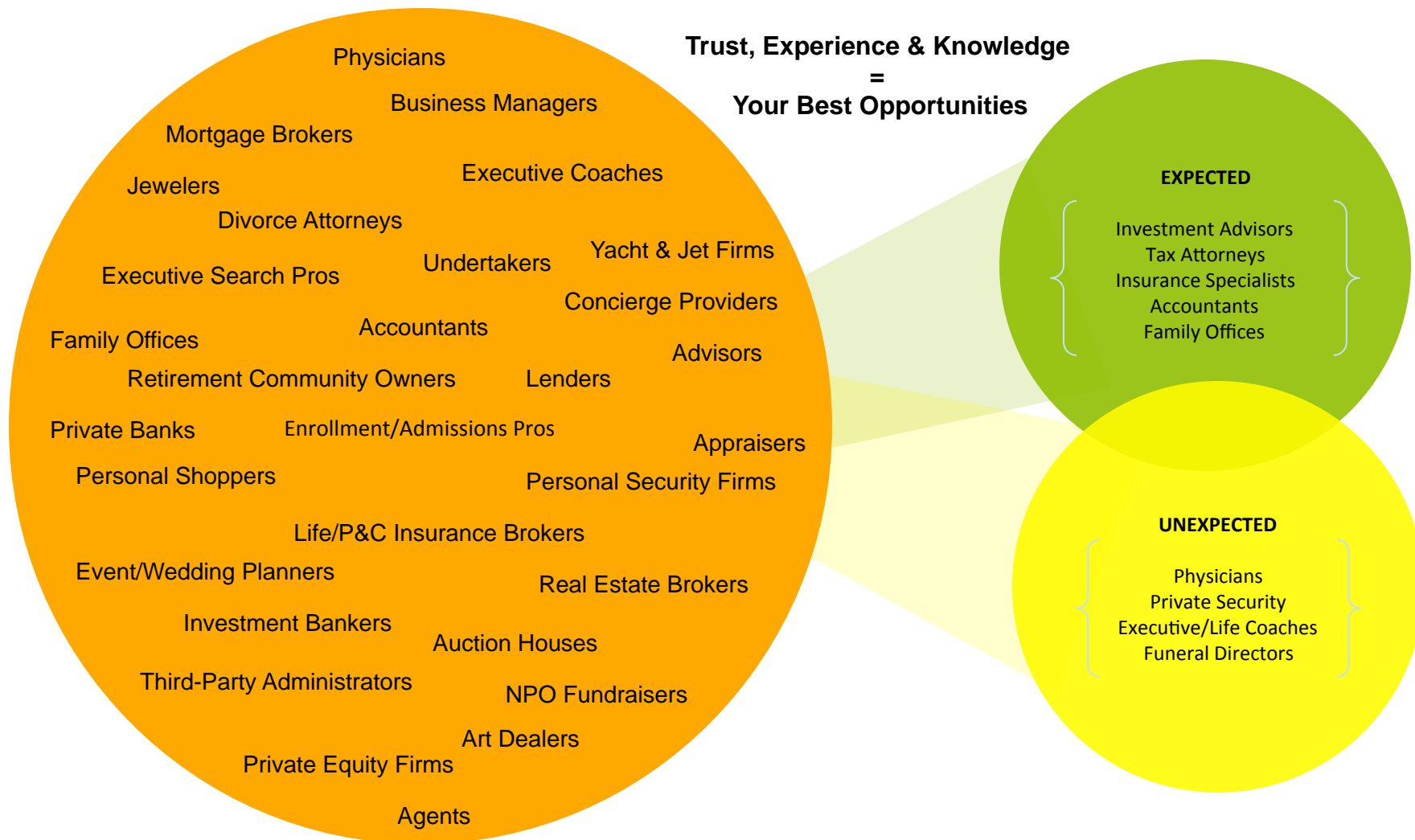
New business sources by transaction size

	\$1M+	\$500k-\$1M	\$250k-\$500k	<\$250k
Client Referrals	5.8%	22.6%	39.7%	50.8%
Professional Referrals	76.9	65.1	41.3	28.0
Revenue Sharing	17.3	12.0	9.9	21.2
Other	0.0	0.2	3.1	3.8



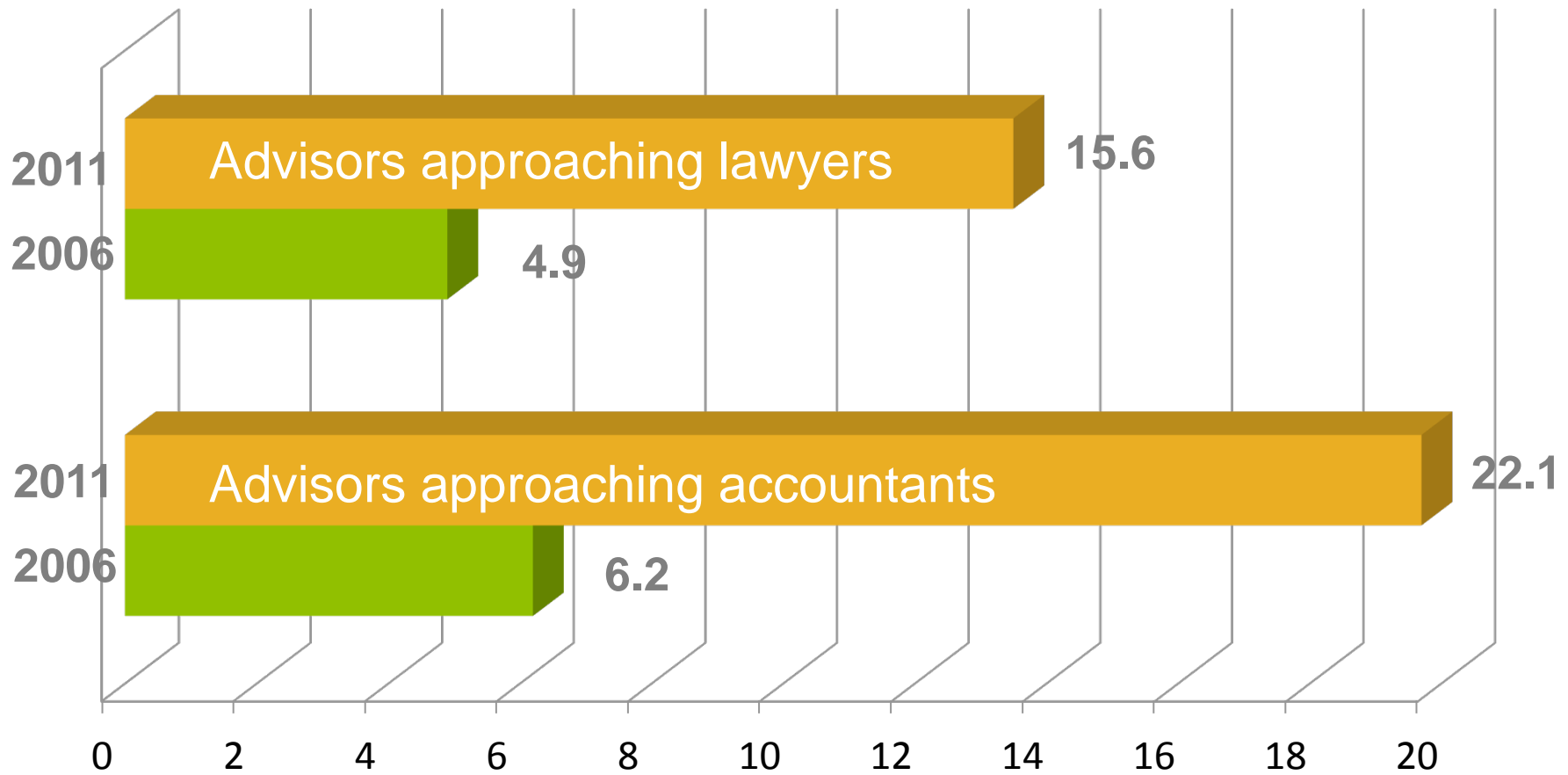
# Virtually Limitless Possibilities

Professions that complement yours create essential partnerships



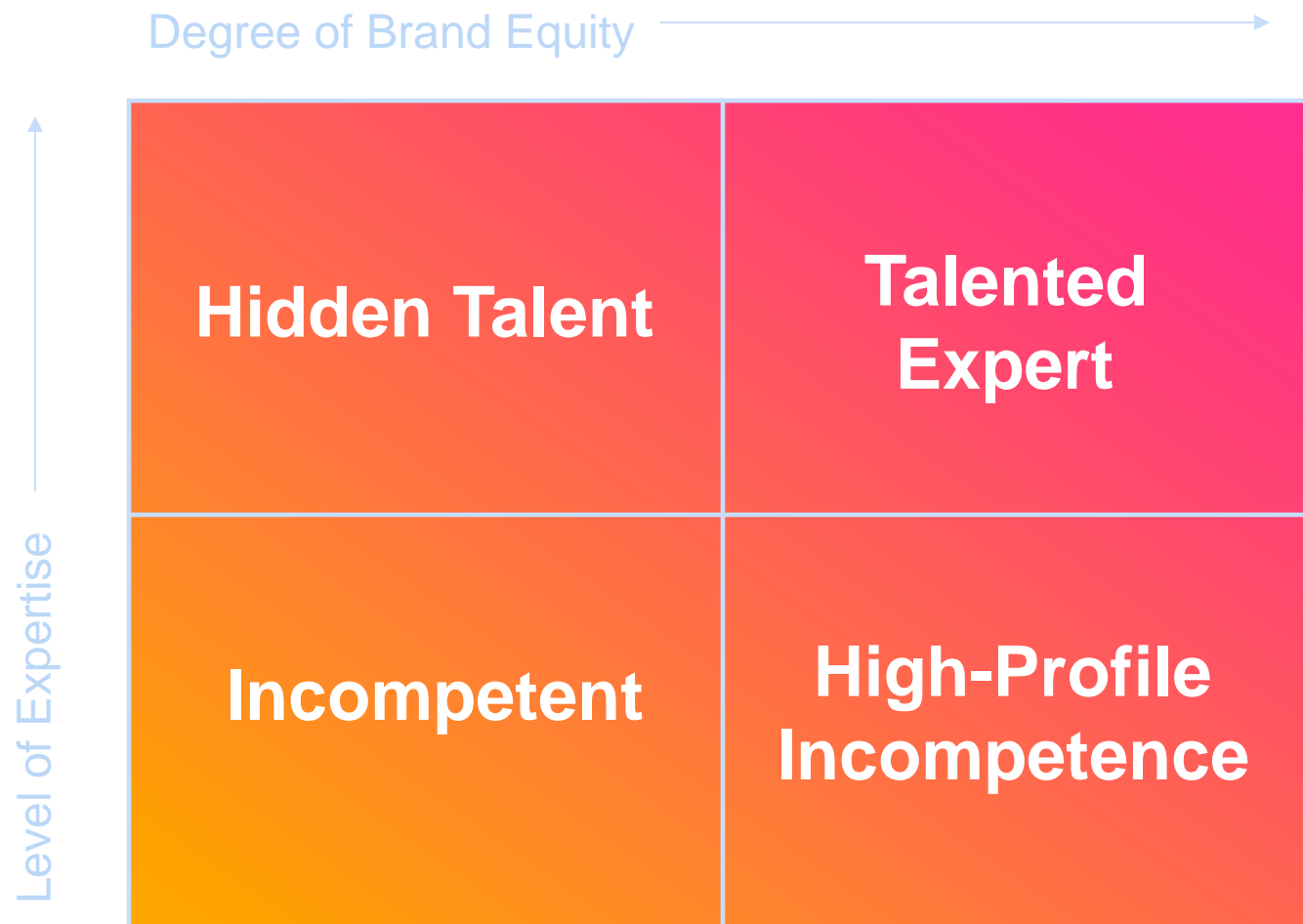
# An Increasingly Crowded Space

Economic downturn almost triples the competition



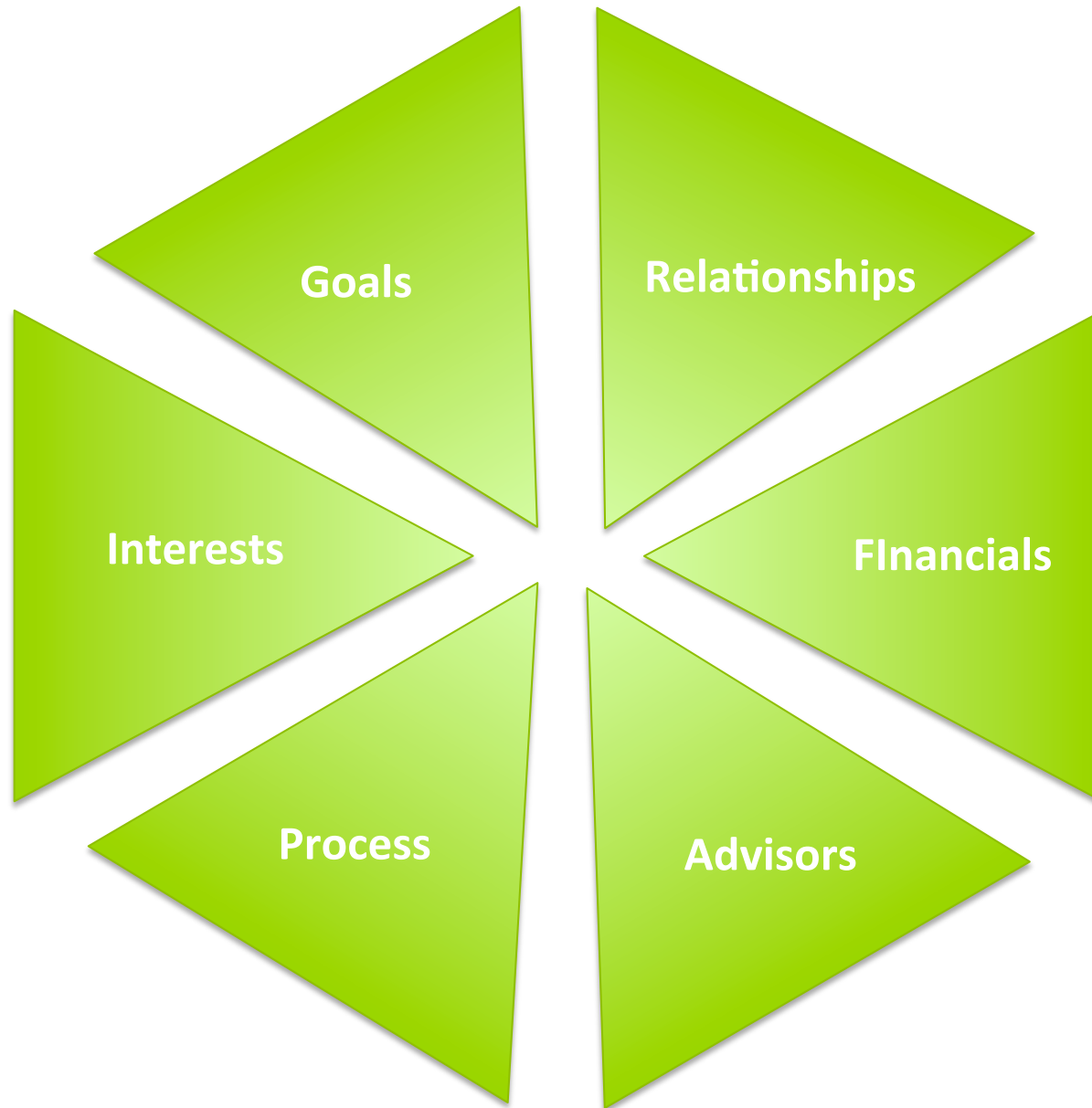
# What You Know & Who Knows You

Combining a strong professional brand with expertise



# The Whole Client Model

Holistic profiling uncovers tangents, leads to dialogue



# Other Uses for Holistic Profiling

Don't overlook the opportunity to uncover key information

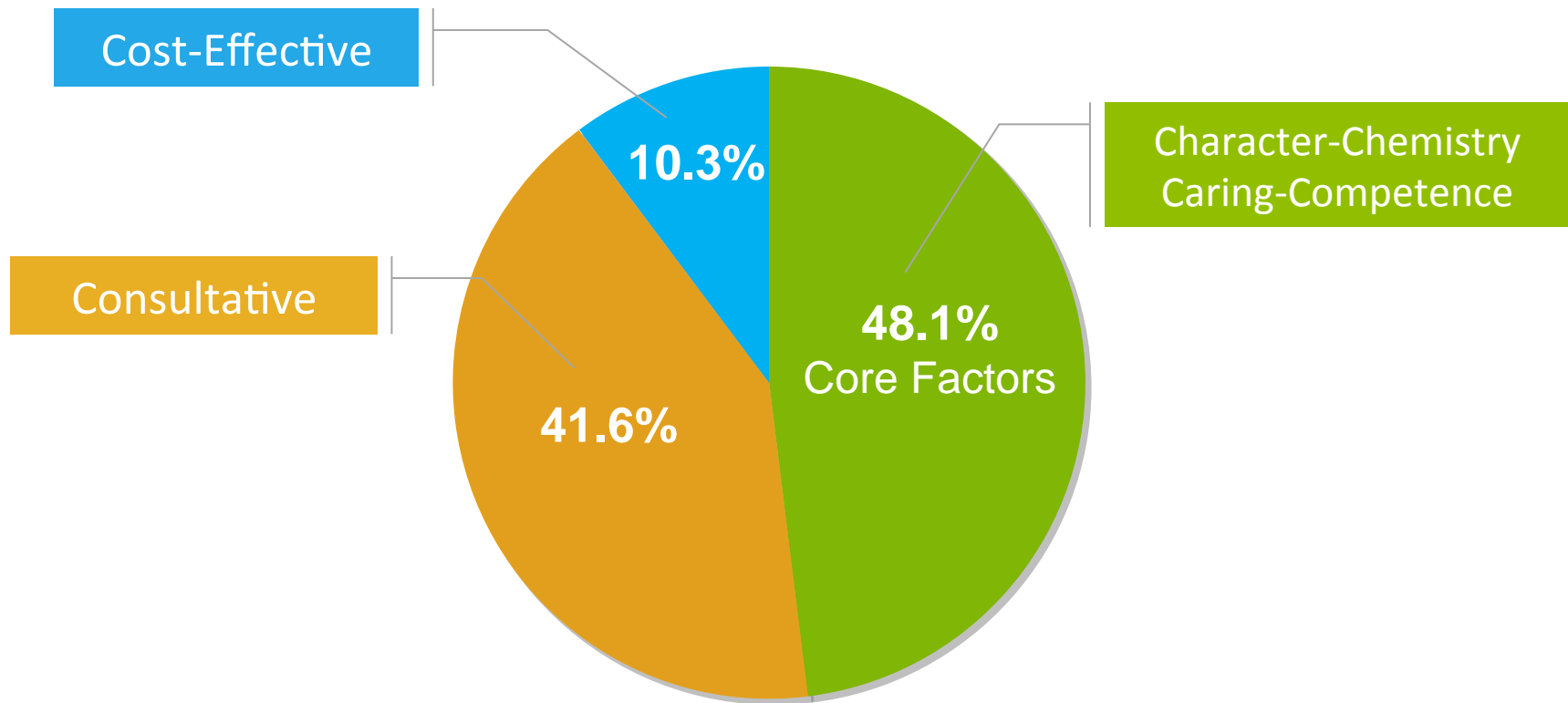


## The WCM and Business Owners

- Type of business
- Service or manufacturing
- Ownership structure
- Partners
- Succession plans
- Vendors, Clients
- Duration and involvement
- Subsidiaries or sister organizations

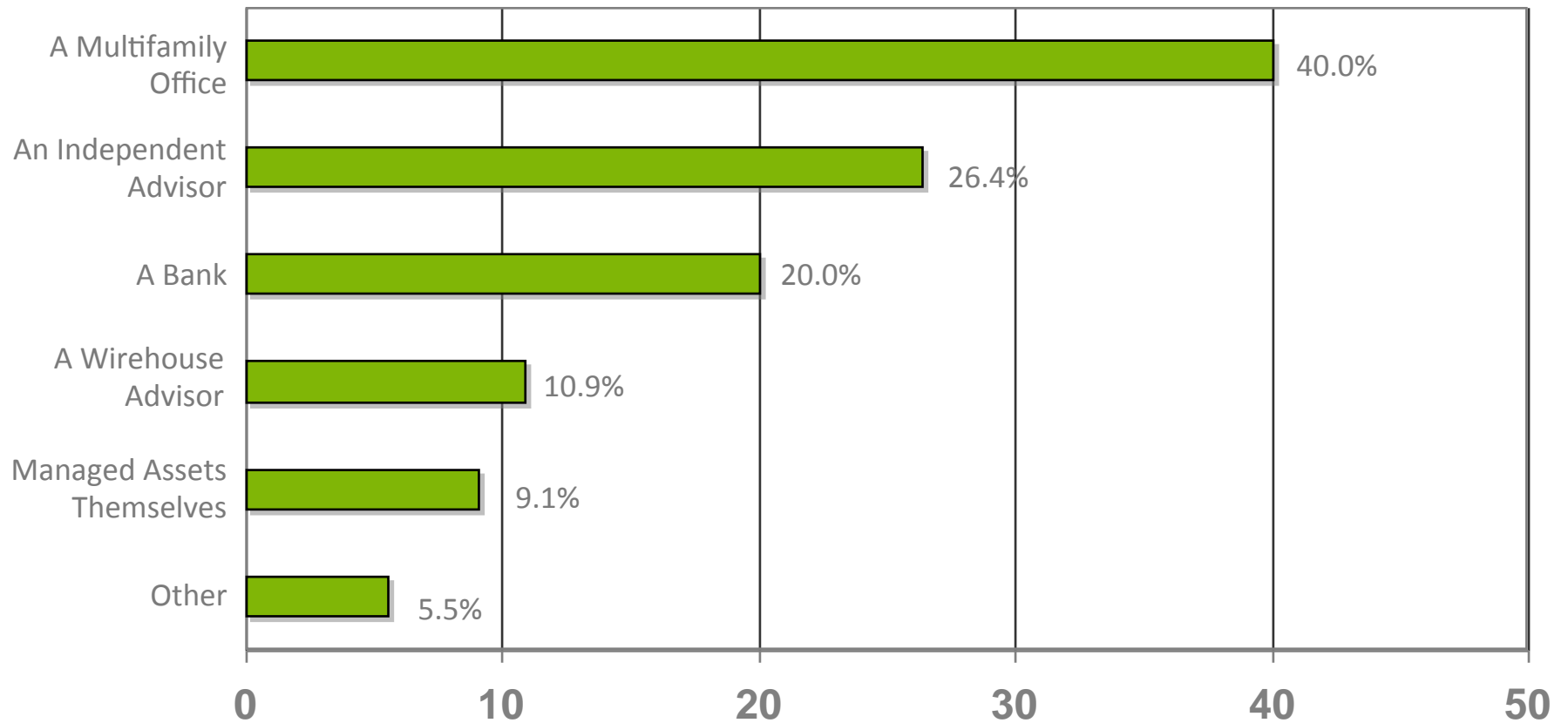
# The Components of Loyalty

A structural deterministic model



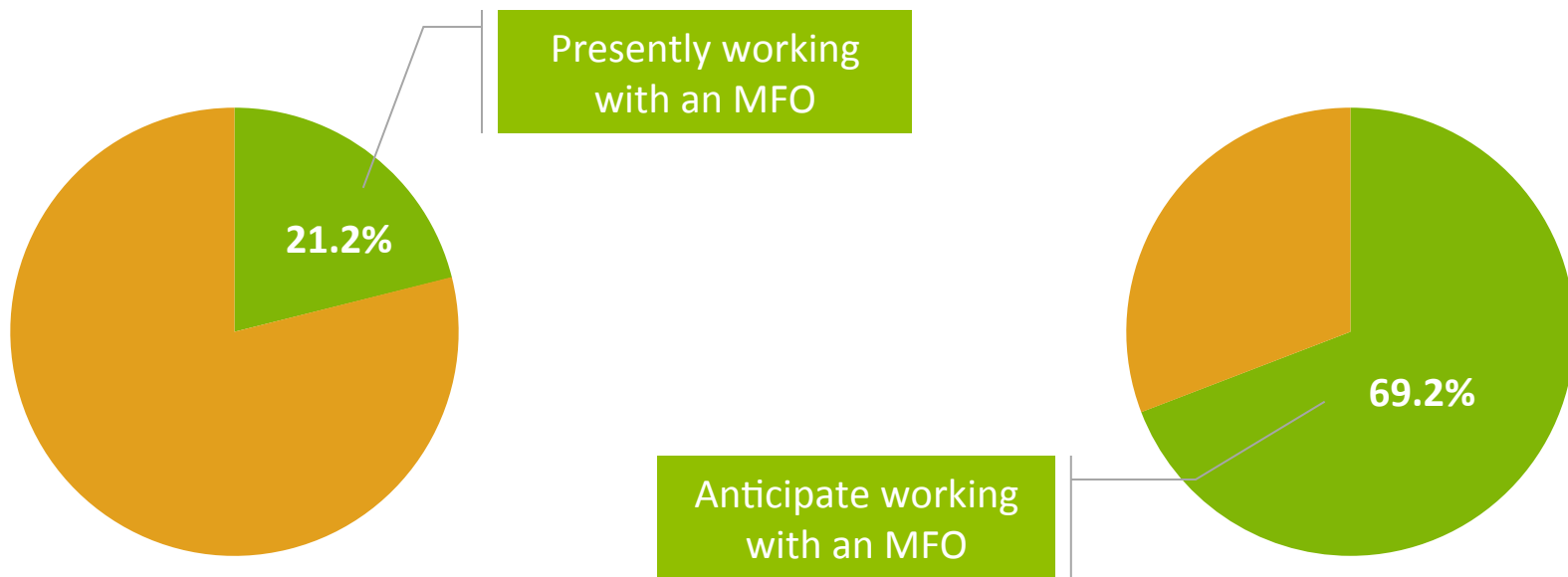
# Following the Post-Crash Money

Perceptions of exclusivity & objectivity influence investors



# Growing Appeal of the Multifamily Office

Affluent migrate to dedicated, service-oriented organizations





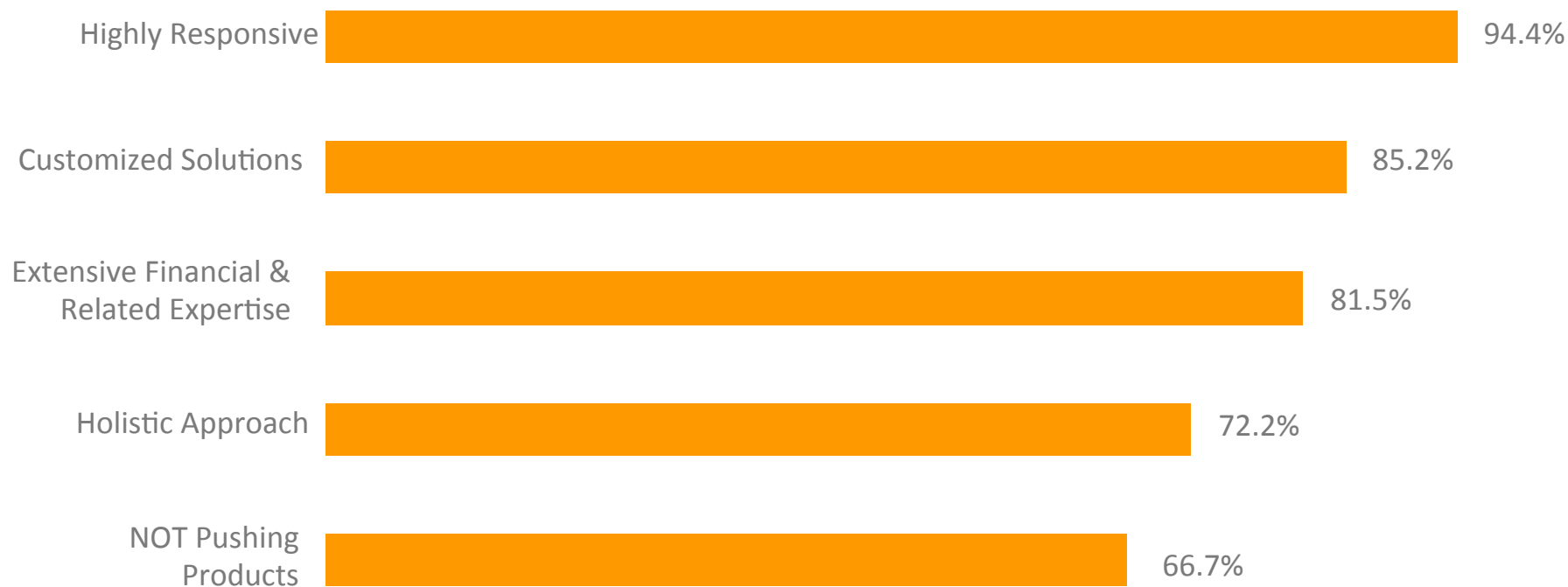
# The Basic Platform

Investments are ubiquitous, everything else is tailored



# Appeal of the Multi-family Office

Qualities that are synonymous with wealth management



# What Makes a **Successful** Relationship?

Qualities borne from understanding and a shared vision



A feeling of trust

**We have chemistry**

The right amount of contact

*You anticipate my family's needs*

**Investment expertise**

You understand my goals






**You're my go-to resource**

I get answers to my questions

*Solutions to my current issues*

# Food For Thought

## Recommendations for incorporating best practices

-  Stay abreast of timely concerns and priorities, develop outreach around them
-  Use 'outstanding issues' as a way to become the essential partner
-  Develop a network of professional referral sources and advocates
-  Reference key qualities and attributes in introductory materials and conversations
-  Analyze your successes, systematize your approach for consistency and employ it regularly

# Many Thanks!!

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# HSGROVE

## ON PRIVATE WEALTH

All data in the previous presentation is from Prince & Associates, Inc.

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