Rich REWARDS

GETTING AND KEEPING WEALTHY CLIENTS IS EASY—JUST GIVE THEM TIP-TOP SERVICE

HEMINGWAY WAS RIGHT. YES, THE RICH ARE DIFFERENT—THEY have more money. Otherwise they're pretty much like the not-so-rich; at least they're a lot like me, I decided after interviewing 10 wealthy people from Chicago to Albuquerque, N.M., about the financial advice they receive. In fact, on the most basic issues, the entrepreneur with the Mercedes wants the same thing as the construction worker with the Ford: someone they can trust, someone who will return a phone call. And if you aren't that someone, they'll find someone else. "We have some bonds at one brokerage

BY GREGORY TAGGART

firm where getting a wire out of them is like getting an act passed through Congress," explains Clark Kent (some names have been changed for privacy reasons), who manages his father-in-law's fortune in Phoenix. "Whereas with another broker we just say, 'Hey we want to transfer money,' and they do everything. They even type the letter for us—all we have to do is sign it and fax it back, and it's done." According to Kent, once the bonds held at the first broker mature, that firm is history.

Service. It's a blue-collar word that attracts and retains a gold-plated clientele, and it was the first word on the lips of virtually everyone I interviewed, each of whom had assets of $3 million or more. Financial advice, good or bad, wasn't the issue. Service, good or bad, was. To a man (and one woman), these people could handle less-than-stellar returns—they were particularly forgiving of post–tech-boom returns—but keep them waiting too long, or fail to return one too many phone calls, and you'll be looking for a new client to fill a gaping hole in your total assets under management. "We used someone else for a while," Kent says of an adviser he fired soon after taking charge of his family's fortune. "The level of service just wasn't there. It was tough to get a phone call returned. That, more than anything, turns me off."

What turns him on is quick response. His property and casualty insurance agent, for example, has all the good hands Kent needs, and he needs quite a few, given all the different businesses he oversees. If a policy is due for renewal, the agent is there. If Kent's people acquire a new business, the agent is quick to know what it does and what property needs protection. "We have a number of businesses that are in the contracting area, so we have to give certificates of insurance out to general contractors," Kent explains. "All we have to do is call the agent, give him the information, and he'll get the certificates right out. It's almost like having a risk manager in-house. It's very nice."

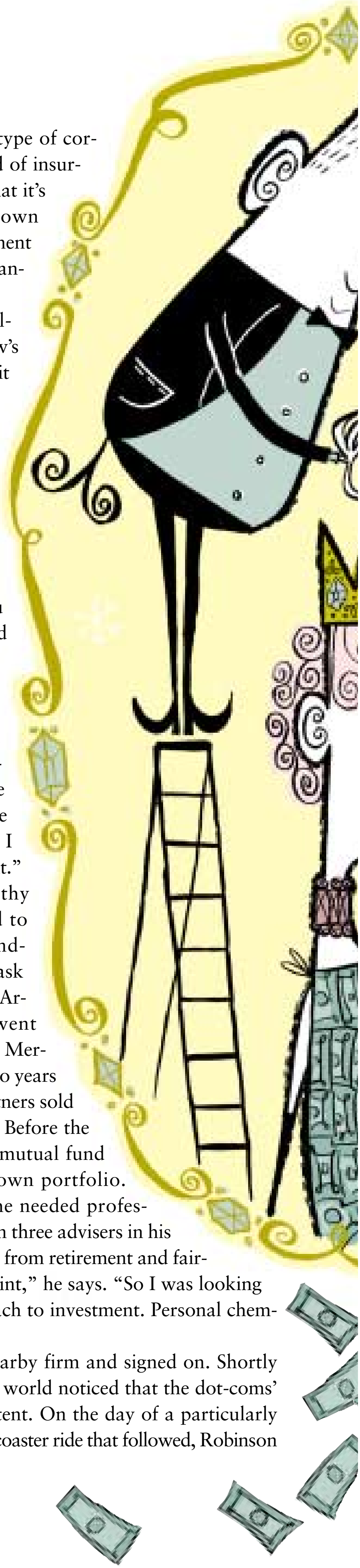
Advisers to the wealthy are in-house a lot. Rachelle Shaw talks to hers about once a month. "He'd like to meet more often," says Shaw, a pediatric dentist with a thriving practice in Albuquerque, "but many times it's too hard to get together—I've got a busy practice and three children."

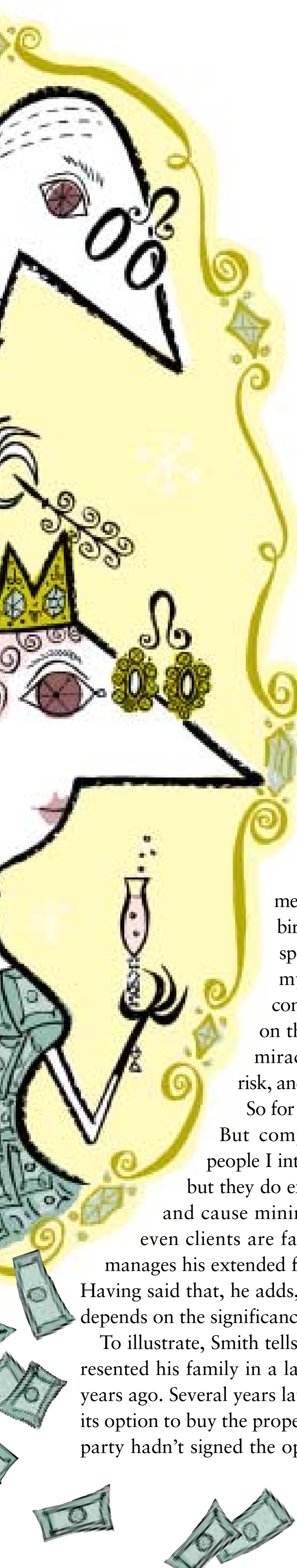
That kind of attention was what Shaw was looking for when she decided to get a financial adviser. She wanted someone who would give her a plan of action based on all the knowns—her short- and long-term goals, her obligations, and the like—and flexible enough to address the unknowns, such as market ups and downs, disability, death, and taxes. "This is me, this is my family, and this is what I want to do in life. Figure out how to get me there," Shaw explains. She found the perfect person six years ago practically in her own backyard. "Now I know that I put this money here, I have this type of corporation, I have this kind of insurance," she says, noting that it's like what she gives her own patients: "A whole treatment plan. A whole plan for managing my wealth."

Part of that plan is follow-up. For instance, Shaw's financial adviser thought it was time to set up trusts for her children. After determining how to fund the trusts, he recommended an attorney to prepare the documents. But he didn't stop there. "I get a list every month that says, 'You haven't finished this, and you need to do this. Have you got your mother's will organized?' " Shaw says. "The more organized my adviser is, the more organized I'll be. I'll make the money, and he'll tell me what to do with it, so I don't have to think about it."

Advisers for the wealthy should also be prepared to do a fair amount of handholding, should a client ask for it. Brian Robinson, of Arlington Heights, Ill., went from Ford middle class to Mercedes wealth overnight two years ago, when he and his partners sold their marketing business. Before the sale he'd been a modest mutual fund investor, managing his own portfolio. After the sale he knew he needed professional help, so he called on three advisers in his area. "I was a year or two from retirement and fairly conservative at that point," he says. "So I was looking for a conservative approach to investment. Personal chemistry mattered, as well."

He found both in a nearby firm and signed on. Shortly afterward the investment world noticed that the dot-coms' profits were dot-nonexistent. On the day of a particularly steep descent on the roller-coaster ride that followed, Robinson





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was concerned that his new financial adviser had not called him, so he called the adviser. "I gently chastised him: 'Gee, I wished you'd called me, because it's been kind of a brutal week,' " Robinson says. "Ever since then, I hear from the firm. I call them; they call me back." He also gets face-to-face quarterly meetings and access to a Web-site where he can view his portfolio and track performance. When he expressed an interest in knowing how investment decisions were made, the adviser offered to let him read the minutes of the firm's monthly investment meetings. All that, and he gets a birthday card from them. "They also spent an hour or hour and a half with my two sons one day," Robinson continues. "They did a little seminar on the basics of the risk pyramid, the miracle of compounding, credit-card risk, and the basics of investing."

So for the wealthy, service is preeminent. But competence is important too. The people I interviewed don't expect perfection, but they do expect that mistakes will be minor and cause minimal pain. "People are fallible—even clients are fallible," says Daniel Smith, who manages his extended family's fortune in Salt Lake City. Having said that, he adds, his tolerance for mistakes really depends on the significance of the problems they create.

To illustrate, Smith tells the story of a law firm that represented his family in a large real estate transaction many years ago. Several years later, the family wanted to exercise its option to buy the property and discovered that the other party hadn't signed the option agreement. Worse, because the real estate had soared in value, the other party wouldn't honor the unsigned agreement. "We should have caught it," Smith acknowledges. "But so should the law firm, and it cost us a substantial amount of money. That was the last time we used that law firm."

Competence doesn't mean merely avoiding mistakes. It also entails finding out what a client wants and then delivering it. Several of the people I interviewed were frustrated with advisers who didn't listen, who didn't take the time to get to know their new client. Or worse, they went through the motions—the fact-finding, the face-to-face interviews—but, as 63-year old retiree Harry Schwartz complains, "it was all smoke." The people at the large brokerage he dealt with were there one week and gone the following one, taking their next step up the career ladder and leaving him coughing in the dust. "It seems to me that for someone to help me, they have to understand where I'm coming from," Schwartz says. "What's in my life? Do I play golf seven days a week? What kind of investments am I looking for?"

Schwartz is particularly fond of that last question because he is absolutely certain of the answer. Ever since he was a young man, he has avoided stocks and invested in tax-free municipal bonds—lots of them. He loves the safe, consistent, no-hassle, no-worry, tax-free 5 percent coupon. He loves it. But his brokers don't get it, he says. "They keep telling me that I'm missing the upside" of the stock market.

The lesson for advisers: Leave your cookie cutter home in the kitchen when you go to work for the wealthy. These people are paying you for personal attention to their dreams and their needs. It takes time, but according to Paul Braden, an executive in Rockville, Md., the time his advisers took to listen to him won his business. The listening began before the actual meeting, as he and his wife spent more than an hour and a half filling out a fact sheet, which they submitted before their interview. "Then our financial advisers spent maybe the first hour or so asking us questions to gather more information on our plans, our goals, our family," he says. "And that was after they had reviewed the information we had sent them."

If there was consensus that advisers should listen closely to their clients, there was none on whether it's best for the client to work with a financial adviser to put together a team or to pick and choose his own team. Herb Atkinson, a successful real estate broker on the East Coast, personally assembled his team to make sure he got a variety of opinions, much like those he has sought in pursuing his career. "I would sponge ideas from the many, many people who were my mentors," he says. "I like to be able to bounce ideas off different people about business or how they would react to a situation."

Others choose to defer to the judgment of their financial advisers, leaving themselves more time to pursue other interests. Shaw's financial adviser, for example, sent her to an expert of his choosing on disability insurance and suggested a number of attorneys she could use when she needed estate planning. Braden's adviser sent him to an expert in long-term care, and when he required estate planning, she not only directed him to one of the best attorneys in the field but she accompanied him to make sure everything was done correctly. Braden was perfectly happy to let her do it, choosing rather to devote his time to what he did best: managing his start-up business. "Frankly, I have very little financial expertise," he says. "And to be honest with you, it's not something that really interests me."

However they assemble their advisers, the wealthy expect all to be team players. It won't wash if the estate-planning attorney they bring together with their tax specialist, accountant, money manager, and insurance adviser acts as if he's an expert in all those fields. "Fortunately, most of our guys are aware of each other and know that they're just part of a team," Kent says. "They know that they only have a certain role to fill or that we expect them to fill."

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Whatever role you play on your wealthy clients' advisory teams, understand that they need your help, and most seem to know it. For some, time is the important consideration. "Do I understand finance better sometimes than the advisers on my team do?" Atkinson asks. "Yes, but they'll have much more time to focus on it than I will."

Others just want to do what they do best. Give Shaw a treatment plan to follow, and she's happy. "I'm not the accountant. I'm not the bean counter," she says. "But I like making money." And she likes her adviser to manage it.

So the wealthy want good service from competent, creative advisers—people they can trust with their financial life. Be that kind of adviser, and the monetary rewards can be great. And you'll have a client for life. Just ask Schwartz. "It's really hard to find a good adviser," he says. Almost as hard as it is to land a wealthy client, some might argue.

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