Smith | Bruer
Advisors

THE WEALTH MANAGEMENT GUIDE FOR HIGH NET WORTH INDIVIDUALS AND FAMILIES

There are two phases ambitious individuals go through: achievement and maintenance. If you walk through the business and finance section at your local bookstore, there are dozens of titles jumping off the shelves at you with alluring propositions like “How to Become Rich Fast” or “Become a Millionaire without Trying”. While this surely shows how many members of society would love to succeed without ever putting forth the work, it also shows that there is a significant lacking in materials centering on phase two, maintaining your wealth. What do you do now with all your money once you have achieved everything you wanted? Once you have “made it”? The answer is simpler than most people in this predicament realize: wealth management.

Yes, the question basically alludes to this answer. Wealth management is a necessary component of having wealth.

If you were having terrible headaches, would you go to your general practitioner or would you go see a neurologist? You would never risk your life by not seeing a specialist so why would you risk your financial security by not seeing one? That is why it is valuable to work with a professional who is trained to work with individuals like yourself.

You worked hard for your money but that doesn't mean you have to manage all of it alone.

Being high net worth means that your set of needs is different than that of the average individual, coinciding with the fact that the average advisor will most likely not be capable of handling your needs. You need to be searching for a specialized wealth manager. In order to find someone like this, there are three key details you should keep in mind.

1 Wealth Management Process

You must begin narrowing the search from all advisors to a specialized, elite wealth manager. Elite wealth managers have a more comprehensive financial planning process than the average advisor. Their process will focus around you, your family, your goals, and your values rather than just your money. You are looking for an equal-level professional, not someone who is using you for your assets. Additionally, an elite wealth manager will address aspects of financial planning such as charitable giving, risk management, and tax strategies that the average financial advisor probably does not. To identify all of these things when meeting with an advisor, ask questions:

"What does your client process look like?"
"What type of clients do you typically work with?"
"What areas of planning do you offer?"

If you are not impressed with the answers, keep meeting with advisors until you find someone who does suit your needs. Don't just settle.

2 Types of Professionals

There are different types of professionals within finance who can be considered wealth managers however that does not make all of them equal. Be wary of who you are trusting with your money. You need someone who not only can manage your money but understands how to plan ahead with it and advise you on it. A financial planner or financial advisor will likely be the most suitable for your financial needs.
With financial planners, be selective of credentials because not every certificate behind someone's last name means something. Keep an eye out for a CERTIFIED FINANCIAL PLANNER™ which means that an individual has gone through a rigorous academic and testing program and maintains continuing education and certification requirements.

Most financial planners are financial advisors as well. There are three main types of financial advisors, differing by pay structure: commission, fee based, and fee only. Commission-based financial advisors operate under a suitability standard that means that they are under no obligation to recommend you what is in your best interest; their recommendation just needs to be suitable. This means that they can sell you something that will make them a greater commission rather than actually do the right thing for you. Fee-based financial advisors use both commissions and fees for their services. The fee is typically either a flat fee or a percentage based on assets under management. Fee-only advisors differentiate completely from these other types of advisors because they do not receive any commissions. Fee-only advisors are only paid by their clients through a flat fee or a assets under management fee.

There's one more aspect to keep in mind: fiduciary advisors. These are financial advisors who are legally required under the fiduciary standard to recommend what is best for you. These advisors will always give you the best advice even if it means they don't benefit from it. Fee-only advisors are always fiduciary advisors.

Your advisor should be someone who you can trust, and someone who you know has your best interest in mind.

3 Investment Philosophies

Advisors apply different types of investment philosophies to guide their investment process. Active investment management is when advisors try to outguess the market. This creates frequent turnover which becomes expensive and may cause negative tax consequences. Using the active management approach has also been empirically proven to give you lower investment returns. The other option is the evidence-based investment philosophy which takes a more long-term approach to investing. Evidence-based investments are passive and use diversified portfolios which limits turnover and is tax efficient.

When searching for a wealth manager, make sure they have a clear, concise investment philosophy that falls into one of these categories.

Wealth management is the simple answer to maintaining wealth for the long-term. You just need to put in the effort into finding someone who will be a true advisor, and someone who will always put your best interests above their own.