Advisers Go Extra Lengths to Keep Wealthy Clients

By Paul Sullivan

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KAREN McNEILL has a Ph.D. in history from the University of California, Berkeley, and is considered one of the foremost authorities on Julia Morgan, the architect who designed Hearst Castle, William Randolph Hearst's 90,000-square-foot coastal retreat. Ms. McNeill has written extensively about Morgan, who designed some 700 buildings and helped open the field of architecture to women.

But since last summer Ms. McNeill has taken her skills as a historian and put them in the service of some modern Hearst-like Americans. As the head of family history for Ascent Private Capital Management, the ultra-high-net-worth arm of U.S. Bank, Ms. McNeill now works with wealthy people to create family and business histories.

While this may sound like the ultimate in ego-stroking, Ms. McNeill sees her job differently. She said the work aligned well with her scholarly interests, and could help unify families so they could make better financial decisions. "Everyone's family history is inherently unique," she said. "People can rally around that history as a common foundation."

What Ascent has done with Ms. McNeill is fairly unusual. It is a costly and time-consuming service that advisers can offer to only the wealthiest families that have the assets and disposable income to pay for it.

But such a service is emblematic of the nonfinancial services that advisers are increasingly offering to distinguish themselves from others. After all, in a time of annual returns around 3 to 5 percent — and this coming after the losses of the Great Recession — advisers feel a greater need to justify the 1 percent that the 1 percent really care about: financial advisers' typical management fee.

To some extent, advisers are making extraordinary efforts to retain clients at all upper-income levels. Pat McClain, a senior partner at Hanson McClain, which manages $1.7 billion, said his firm had begun offering free financial advice to the children and grandchildren of clients who had more than $1 million with the firm. (He said this amounted to 300 clients out of the firm's 3,500.)

Manchester Capital Management, whose average client has about $25 million to invest, may be at the extreme of client service. One of the firm's partners satisfied the needs of two different clients and a museum in one afternoon, by going on a bear hunt.

"One of our clients who owned ranches had a wildlife program," said Kristina Koutrakos, managing director, and this meant he was giving out hunting licenses to keep the animals on his property in check. "Another client was a member of a Native American tribe that needed a bearskin for one of their traditional ceremonies."

The adviser actually shot two bears that day, she said, giving one skin to the client and donating the other to the Chumash Indian Museum in Southern California. "We're here to help families solve their problems," Ms. Koutrakos said.

While certainly unusual, such a request (in this case from the tribe member) was part of the firm's mission to provide total wealth management, she said, including investment management, estate and tax planning, real estate advice, philanthropic guidance, concierge services and education around money.

But as firms scramble to offer services that seem far removed from such traditional roles as investing money and offering tax advice or referrals, the questions are, what value do these offerings have to the client, and should advisers be providing them?

"First and foremost, nothing is free," said Stephen M. Horan, managing director and co-leader for education at the C.F.A. Institute, which administers the chartered financial analyst designation. "If you're getting a service and it doesn't look like you're writing a check for it, you're paying money elsewhere."

Such services could be a valuable way to understand a client's financial situation more fully. His concern was that advisers were treading into areas they did not fully understand to offer clients services that would keep them from looking elsewhere for advice.

"If the client is expecting advice and counsel, then the adviser needs to know that client," he said. "That doesn't mean they should be doing family histories on people, but that line isn't clear. You don't want an adviser to deliver a service they're not qualified to give."

Others, however, see the proliferation of nonfinancial advice as a way for advisers to make themselves more valuable to their clients at a difficult time.

"Advisers are asking what can they do to build deeper and more engaged relationships," said Julie Littlechild, president of Adviser Impact, an industry research firm. "A lot of the work we have done is around clients who are merely satisfied versus those who are deeply engaged."

She added: “I was satisfied with the guy at Starbucks today. Engagement is a higher standard.”

The offerings most clients are going to receive break down into three categories.

THE CONCIERGE MODEL If a client is used to checking into a luxury hotel, knowing a firm pillow will be waiting on her bed and her preferred brand of sparkling water will be on ice, why wouldn’t she want similar service when visiting her wealth adviser? She might.

Jack Thurman, managing partner at BKD Wealth Advisors, which has $2 billion under management, said he was betting on that. Five years ago, he began studying how Ritz-Carlton Hotels treated customers, going as far as to pay $20,000 for two hours with its former president, Horst Schulze.

“He had this passion for taking care of clients,” said Mr. Thurman, who spent 14 years at Merrill Lynch before joining BKD to start its wealth management practice in 2000. “I started thinking, I don’t want to duplicate what other wealth management firms were doing, not that they were doing it badly. I wanted to build a model that said we’re all about client service.”

To that end Mr. Thurman said every client’s preferences, from room temperature to beverage, are recorded so that a meeting room can be staged ahead of time. All who pass visiting clients in the halls say hello, the way everyone talks to you at a Ritz-Carlton.

“Not every client loves our way of doing things,” he said. “We don’t deliver pure investment performance. We deliver good performance. It’s an integrated wealth management experience.”

There is nothing wrong with an adviser going the extra mile to make a client feel important, and many do things like attending a child’s soccer game or picking up the greens fees for a round of golf. Advice may be sought and given during those moments, but they may also be times to get to know each other better — since the feeling of a friendship will make it harder for a client to fire an underperforming adviser.

Mr. Thurman said all extra services were included in the fee for managing money — even the time the firm chartered a boat to take a $50 million client out for his first fishing experience.

Karen McNeill sees family histories as unifying. Jason Henry for The New York Times

HOLISTIC MANAGEMENT Should you buy or lease a car? How much should you put into your children's 529 college savings plan? Are you going to owe taxes? Has anyone reviewed your life insurance?

These are important financial questions that need to be answered — though this may not be the type of thing that clients crow about, like a fishing trip — and increasingly wealth advisers are answering them.

Shari Burns is a managing director at Paragon Investment Management, a division of United Capital in Seattle, with $1.2 billion under management. She said that when a client wanted to build a house in California without selling any of his assets, which would have incurred steep capital gains taxes, she found him a way to finance it. When another went to the emergency room and her son called, asking if the firm had the health care directives, she faxed them to the hospital.

"You kind of just respond to their needs," Ms. Burns, who has managed money for 30 years, said. "They just expect that their money is being managed."

Offering this full suite of personal financial services may be where all advisers are headed. David McWilliams, head of wealth management transformation at UBS Wealth Management, sees it as the next point on an evolutionary chart.

It began with the stockbroker, he said, who was focused on transactions. Then it moved to the financial adviser gathering assets and the investment manager selecting other managers to invest clients' money. "This fourth shift," he said, "is a move from just offering products to helping advisers be holistic around wealth management."

To get there requires advisers to do a number of things: from managing core investments and asset allocation to helping clients understand insurance needs, retirement planning, budgeting and debt management, Mr. McWilliams said.

Outside of brokerage houses like UBS, some independent advisers said part of the impetus to offer more services was the frustration that the accountants and lawyers to whom they had referred tax and legal work had also gotten into the financial planning business.

Brent Brodeski, chief executive of Savant Capital Management, which manages $3.5 billion for 3,200 clients, said the firm initially started doing tax preparation, which spilled into tax planning. It has since increased its offerings to include advising on 401(k) and retirement plans for small businesses and creating a trust bank so clients could name it as a trustee of their assets.

“If it’s just investments, people leave faster,” he said. “If you’re doing planning, it’s stickier. If you’re advising them on the business, more complicated planning and tax advices, there are synergies and the client is likely to stick around longer.”

Bill Loftus, one of the founders of LLBH Private Wealth Management, a high-net-worth advisory firm that is part of Focus Financial, said that a couple of years back his firm engaged in a complicated and lengthy program to protect a client’s $15 million deferred compensation package in case his former employer went bankrupt, the way Lehman Brothers had. Using credit default swaps, the firm was able to protect that $15 million for $60,000 a year — and allowed the client to sleep knowing 80 percent of his wealth was protected.

“He wanted to pay us for the advice, but we wouldn’t take it,” Mr. Loftus said. “These are the things that make a meaningful difference in people’s lives.”

FUTURE PERFECT The wealthiest people, of course, are different from everyone else: they worry about the money they will have left over. This is where offerings like the personal histories come in.

While a family historian seems to be unique to Ascent, it is just one part of a suite of services that every major private bank has developed over the last decade that includes educating children and grandchildren about money and running family meetings to keep the extended clan informed.

“The first stop on the nonfinancial service is really around family education, governance and discovery,” said Thomas P. Melcher, managing executive of Hawthorn, PNC Wealth Management’s ultra-high-net-worth arm. Offering counsel on these soft issues is not altruistic; it’s a way to get families to understand an adviser’s value.

“When we just meet the family and they have $75 million from selling their company and we ask them, ‘What does success look like?’ they can’t define it,” he said. “So they go to their default: beating the market. Well, if the market is down 12 percent and we’re down 8 percent, we beat the market.”

When offering noninvestment services, the firm prefers to charge a retainer, but even at the highest end, people are not always willing to pay an adviser for advice beyond traditional money management.

“Last year we did a consultation with a client that was going to save them $100 million in taxes,” Mr. Melcher said. “If I could make them $100 million, they would pay me an astronomical sum. But if I told you I wanted to be paid $1 million for saving them on taxes, you’d say, ‘You want me to pay you $1 million for that advice?’ ”

The firms offer all of these additional services the way nations added nuclear missiles during the cold war: they do it just to keep up. “More and more in the marketplace, wealthy families are deeming certain services to be more of a commodity than we’d like to think,” said Kurt P. Miscinski, president of HPM Partners, ticking off money management, custodian services, tax planning and compliance.

“As you get to know more about your client, they start to come with other problems,” he said. “Oftentimes that doesn’t include bill paying and monitoring costs at two homes. It’s their liability and risk. It’s sound trust and estate planning.”

Michael A. Cole, president of Ascent, where Ms. McNeill, the historian, works, said he wanted the firm to feel like a private club that allowed people to choose what they wanted to discuss and learn.

“We have wonderful facilities,” he said, that can operate “as a private club, a university and a wealth management shop all in one.” The rooms in its five offices can be used for family meetings, an educational lecture, a time for children to play games around money, or even a formal dinner party. In addition to a historian, the firm has two wealth coaches.

All of this raises the question: what is the fee at this club? Mr. Cole said it was all broken down. A family retreat could cost $10,000 to $70,000 for Ascent to coordinate, with the family picking up travel and lodging costs separately. Wealth planning is billed as a fee for service with some sort of retainer agreement. The programs, he said, are just part of being a club member.

He is so confident in the value of these services that even if one client does not sign up for the higher-fee money management, that client will refer others who will. “We know we’ll get other business,” he said.

And that level of engagement could benefit clients and advisers.