Part Three: The Role of Advisors and the Experience You Should Expect

"Consigliere of mine,

I think you should tell your Don what everyone seems to know."

~ Don Corleone to Tom Hagen in "The Godfather"

3 FULL DISCLOSURE I AM AN ADVISOR

I have a business degree from Wharton, a law degree from Seton Hall, the chartered life underwriter (CLU) designation, and I am an accredited estate planner (AEP).

However, none of these reflect the nature of the work I believe my clients find valuable. As I explain later, my real roles are as a consigliere, thinking partner, and artist. I believe all your advisory relationship should contribute to the long term thriving of your family. This is the experience you are entitled to.

In Part Two, we looked at a model/process for bringing new thinking into your family wealth plans. Successfully following those ideas requires a collaboration between your family and your advisors.

One definitional note about the word "advisors": Advisors cover a broad range of disciplines.

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Much of my focus is on financial, tax, and legal advisory services. A family may have business advisors, life coaches, philanthropic advisors, and others. Many of these are brought to the table once a need has been established through discovery or some other circumstance. Whatever the role, all the advisors should have the focus I describe in this section because they serve you and your family.

Engaging an advisor of any discipline is a skill. Maintaining that relationship requires a level of vigilance beyond feeling like everything is working. In this section, I present a set of principles for effective and successful advisory relationships. We will also look at how to go about finding the right advisor and a process for interviewing.

Last, we will look at that unique relationship, the trusted advisor. I believe there is the new (and needed) paradigm for your relationship with your advisors. Creativity, collaboration, and shared purpose for the Advisory Team are the new keys to success in an age when technical knowledge is there for the taking via the Internet. You should expect more from us, your advisors.

Take a quick minute and answer these questions:

WHAT IS THE
best
ADVISORY RELATIONSHIP YOU HAVE EVER HAD?

WHAT MADE IT **special**?

WHAT WAS AN ADVISORY RELATIONSHIP THAT
wasn't SO GOOD?

WHAT WERE THE **PROBLEMS**?

THE MIDDLE WAY | BELBER

THE CONSIGLIERE

Chris and Marie, my long-term clients, were interviewing a potential investment manager, and they had asked me to sit at the table. Chris asked the potential hire to describe her approach to managing a portfolio that would need to produce income for forty years.

The investment manager gave a vague answer and then turned to me.

"Tim," she said, "what is your approach?"

"I do not manage money," I said, passing the buck back to her.

"Well, then what do you do?" she asked.

Before I could reply, Chris jumped in, "Tim is what my Italian grandfather would call our family consigliere. He knows where all the financial bodies are buried, and he looks out for us."

Most of us are familiar with Robert Duval's role as Tom Hagen, consigliere (pronounced CON-sul-YARE-ee) to the Corleone family in *The Godfather*. Tom's job was to be a thinking partner for Vito Corleone as he wrestled with important decisions. His job was one of uncompromising service. His lived by the motto "What help do you need?" instead of "Here's what I can do for you."

Like Hagen shared in Corleone's vision, a well-functioning advisory teams shares in the family's purpose. Before they can do that, though, the family needs to discover and articulate its purpose with all family advisors. The consigliere is the person facilitating this discovery and articulation of this purpose.

The consigliere seeks the best result for his client. It is an economic model based on service and loyalty. It is not solely about creating capital from being a professional advisor.

There are several key traits helpful in identifying who on your team can serve as your consigliere.

1. Your consigliere must have a passion about helping the family achieve its most important goals. Beyond being a whiz at tax and financial-asset planning, the consigliere has deep concern for whether the family and its individual members are flourishing.

2. The ability to facilitate and coordinate the work of other advisors is a critical role for the consigliere. The consigliere owns the job of keeping projects on track. He will assist all the family's advisors in any way possible to assure completion of important work. He has the ability to do so without stepping on toes.

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3. The consigliere has a working knowledge of all aspects of a family's wealth. While most consiglieri have a technical specialty (accounting, tax, law, insurance, or the like), they also have a working knowledge of the all the disciplines that are important to a family. They do not use this knowledge to replace other advisors but to assist the family in decision-making. The consigliere also has resources in the more qualitative fields, such as business and life coaching, substance abuse assistance, family historians, and family communication planning.

4. The consigliere has an ability to stimulate thinking rather than just providing expert solutions. As we quoted Nancy Kline, the author of Time to Think and More Time to Think, as saying at the beginning of Part One: "Everything we do depends for its quality on the thinking we do first. Our thinking depends on the quality of our attention for each other."

Your consigliere should help enhance the quality of your thinking around matters of wealth and family. The consigliere is your sounding board. She is adept on holding back the natural urge to offer solutions until you have had the opportunity to really think through any situation. She will ask more questions than any other advisor on your team.

5. The consigliere has a belief in the importance of completing scenario-planning before implementing any strategies. Too often, strategies are suggested and implemented just because they can be. For example, the ability to protect assets from taxes and creditors for generations has a bit of a siren's song appeal to it. The consigliere considers what this really means. How will it impact future generations both monetarily and emotionally? What are the potential realities for any long-term strategies?

Focusing primarily on taxes and creditors can diminish human beings, like those we saw wearing fur coats and protesting about their trustee. If your trust is going to be a factor in the lives of your family members for one-hundred-plus years, someone needs to help you think about how that will actually play out.

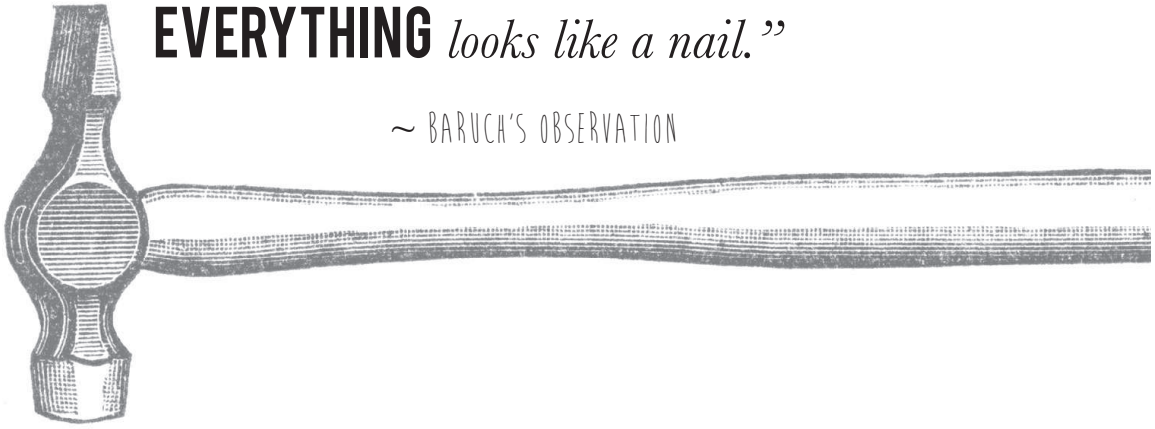
6. You and your family know your consigliere as a person. The consigliere is not just a professional friend. He is someone you know at a very personal level. You and your family have conversations with him on wide-ranging topics. You know what his interests are and enjoy talking about them. He has demonstrated a willingness to engage with you and your family at a level beyond delivery of professional services.

If you have not named your consigliere relationship, think about your team. Who would you like to know better? Who do you engage with easily and deeply? Who has demonstrated a true interest in your children and grandchildren?

"**If** *all you have is a hammer,*

EVERYTHING *looks like a nail."*

~ BARUCH'S OBSERVATION



This proverb is more rightfully interpreted that if a person is familiar with a certain single subject, that person might have a confirmation bias, thereby believing that his or her area of expertise is the answer to every problem.

Your advisors have access to thousands of strategies, solutions, and techniques to assist with the implementation of your family wealth plan. The newest, latest, and greatest are actively promoted in professional journals and at conferences. All of these strategies, unfortunately, become shiny new hammers looking for nails. They seem to find their way (often forced) into a lot of wealth plans for the wrong reasons.

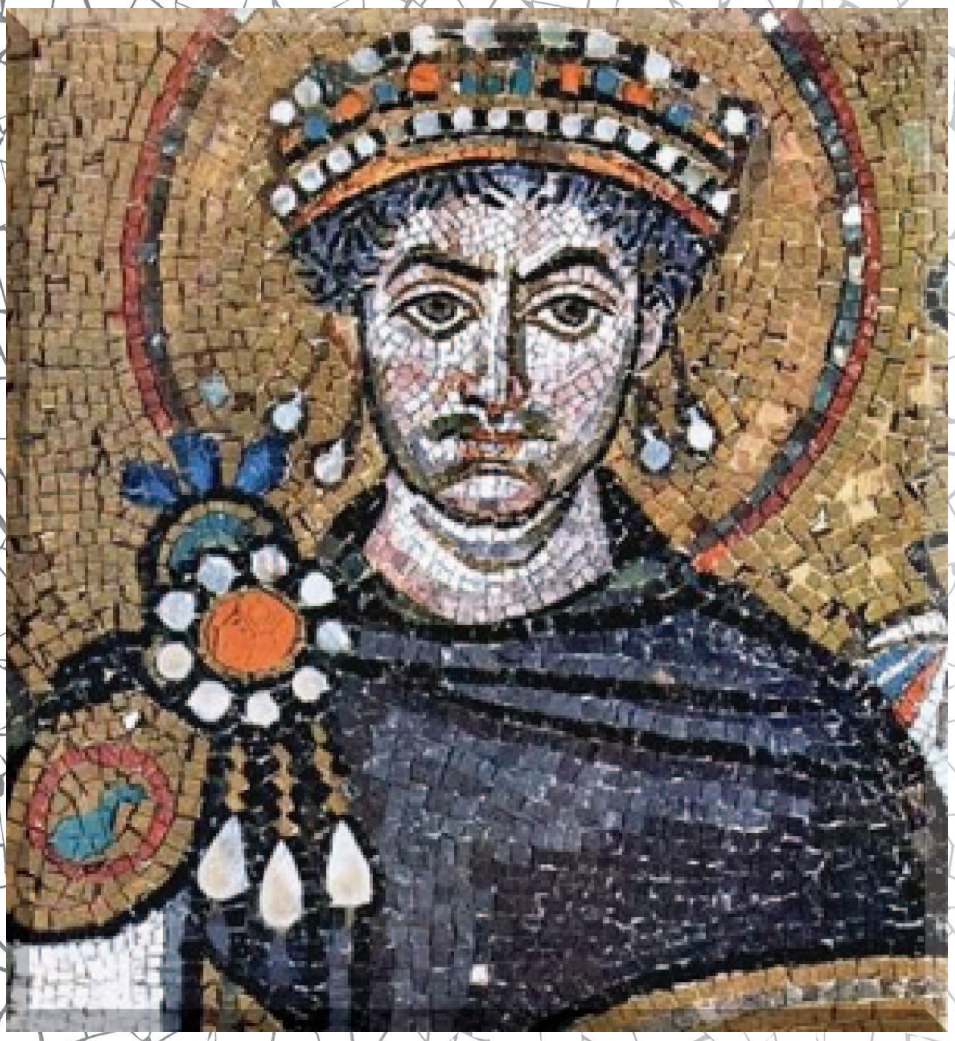
An alternative to the traditional advisor/client relationship can be found in the patron/artist dynamic. A wealthy patron commissioned many of the great paintings and sculptures. The Sistine Chapel, The Moses, and The Last Supper, to name a few, were based on a patron's vision which was then brought to life by Michelangelo and Da Vinci.

In other words, none of these works of art were purchased as pre-made art show pieces.

The Mosaics in Ravenna, Italy are another good example. They all began with a pile of pretty and shiny individual tiles. These tiles are the Mosaicist's stock in trade. With an almost infinite spectrum of color to work from, the Mosaicist's job is to grasp his patron's vision and deliver a spectacular result. In Ravenna, one of the commissioned Mosaics was to honor the Emperor Justinian. The patron did not care about the techniques needed to complete it; he was interested only in the end result.

He certainly did not want to hear the artist say things like, "I work only in red, blue, and yellow because, as the expert, I believe this is the best way."

The patron wants the artist to apply his skills to bring the vision to life. With the Justinian Mosaics (and the others at Ravenna), the artists succeeded.



Take a look at the picture of the Mosaic and, in particular, the skill in blending the colors, especially around the face. The whole is truly greater than the sum of its parts.

Your family wealth plan can and should be constructed in the same manner. It is not about the latest tax strategy or the advisor's particular documents or standard operating procedure. You are the patron, which delivers a vision to the artist.

PATRON = **YOU**

VISION = Your purpose statement about financial wealth and family

ARTIST(S) = Your advisors working in collaboration (facilitated by your consigliere)

BRUSHES & PAINTS = Strategies related to legality, taxes, investments, insurance needs, wealth education, and the like

The skilled advisor-artist, acting as a serving professional, will:

1. Assist you in developing and articulating a purpose statement for the role of financial wealth in your family;
2. Prepare, in collaboration with other advisors, integrated options to support and further your family's vision and purpose statement;
3. Modify and change the proposed plan until all the right "tiles" are in place;
4. Facilitate the implementation of the entire plan; and
5. Have an established plan for reviewing, polishing, and/or replacing "tiles" as necessary to keep the plan relevant for your family.

I have had the privilege of knowing a number of advisors from many disciplines who want their work to have meaning beyond an hourly rate. They believe they are engaged in craft and therefore want to be on collaborative teams focused on the achievement of a vision. In Part Four, I offer suggestions on where to find these advisors.

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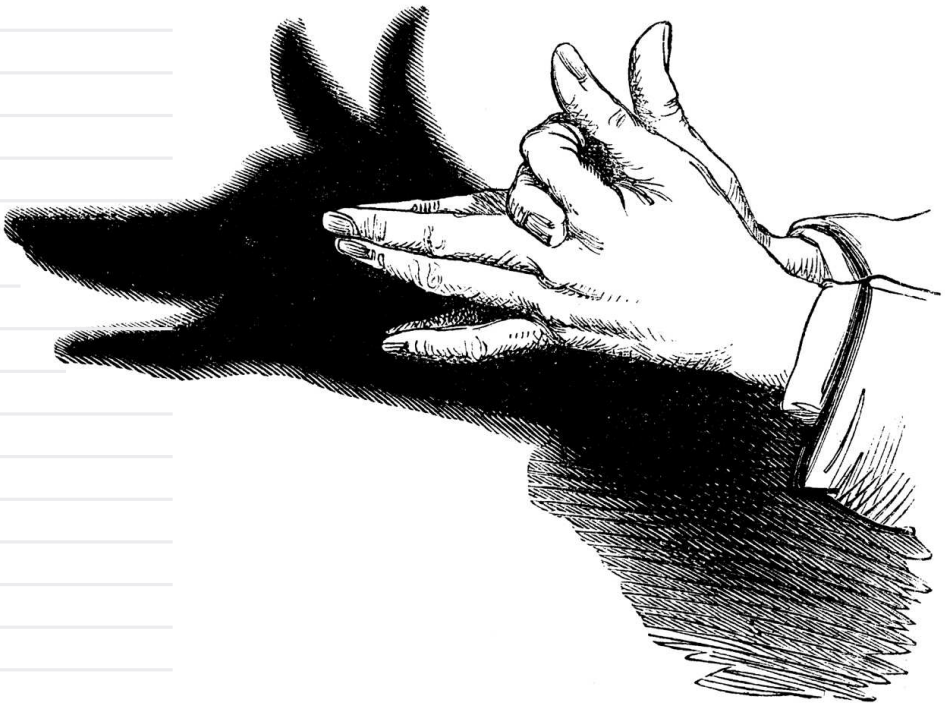

As I said above, I am an advisor. The following rules have come as a result of observing my own client relationships as well as the relationships of other advisors. Building and maintaining successful relationships with advisors is important, so I hope these rules of engagement help.

1. THE ADVISOR WORKS FOR YOU.

This sounds straightforward but is often overlooked. You pay good money in the form of fees, commissions, and other compensation for services. If an advisor is difficult to reach, has little time for you, and is often late for meetings or phone calls, then you have to ask: *Does his or her prestige excuse it?* Your CPA, attorney, investment manager, and insurance professional all work for you, and as such you are entitled to expect certain standards.

John Broderick, a good friend of mine and an insurance professional, begins every new relationship with a set of written rules of engagement. This document not only outlines what his clients can expect from him but also what he needs from them to be an effective advisor. He also uses it as part of his periodic review process to help keep the relationship strong and effective.

2. YOU SHOULD BE ABLE TO ARTICULATE WHY YOU HIRED A PARTICULAR ADVISOR.

This is one of the big lessons from the Madoff affair and other so-called Ponzi schemes. Many of those who suffered losses invested in these schemes because everyone else using those firms was getting great returns. These cases illustrate the power of advisor prestige and the desire to be in with the in crowd. Before hiring an advisor, make sure that the advisor meets all the criteria on your list of requirements. I share such a list with you momentarily.

3. ADVISORS SHOULD BE ABLE TO COMMUNICATE WITH YOU.

This comes in two forms: First, you should understand why you (not just all of your advisor's clients) are implementing a particular strategy—be it tax, insurance, investment, or otherwise. Second, the best advisors are proactive in advising. This does not mean that your advisor is constantly selling or changing your plan. It also does not mean that she sends out weekly economic newsletters. It means that your advisor creates in you the feeling that she is thinking about you and your situation.

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In today's world, a good advisor acts like a curator of information, ideas, and concepts.

This shows up when your updates have the flavor of: "Here is an explanation of what is happening, what it means to you, and what we might want to have a conversation about."

4. THERE ARE NO FREE SERVICES.

You are paying for everything an advisor does for you. Depending on economic circumstances, having bundled services is not necessarily a problem. However, for an affluent family, maintaining a certain level of checks and balances among service providers is important. For example, if your investment manager provides overall wealth-management planning as part of his or her investment management fees, you are working with an advisor who has a serious conflict of interests. The manager's interest is in retaining your investment account, and all supplemental services are built to do that. An investment manager should be evaluated on his or her performance in that role, and the wealth planner/strategist should be evaluated on his or her separate performance and the value brought to you.

5. UNDERSTAND HOW YOUR ADVISOR IS COMPENSATED.

Again, a two-part solution is required: First, you should never wonder how your advisor is getting paid for all the work he or she provides on your behalf. In many commission-driven fields, this is the grayest of areas. Planning and advice should be separated from the design and implementation of any commissionable product. In too many cases, if the compensation is only on an ultimate sale, then everything before is built to lead to that sale. Second, is there any additional compensation for using one product or company over another? Award trips, bonuses, and the like can sometimes sway a recommendation. The same is true for referral fees for bringing in another advisor. None of these are bad in and of themselves, but transparency around compensation avoids some unpleasant surprises in the future. The simple questions to ask are:

- "How are you compensated?"
- This question should be followed with: "Are there any non-cash compensations from any of the work you are doing for us?"

Do not hesitate to ask traditional by-the-hour advisors (CPA or attorney for example) about flat or project fees. I have found these agreements to be more prevalent in the last few years.

6. BEWARE OF THE FRIEND CARD.

This is a particularly tough situation. You want to have advisors you know and who know you. But sometimes a personal relationship can overshadow less-than-satisfactory professional performance or results. The question to ask yourself is this: "If Gary were not my friend, would I continue to work with him?"

If the answer is "no," then continuing to work with him means you are choosing a friend over yourself and your family.

Once you recognize the problem, a number of strategies will allow you to gracefully change or exit the relationship. One of my favorite clients told me he believes that a person should change advisors every five years or so to avoid complacency. This was seven years into my relationship, so I had to ask why was he still engaging me.

His reply: "You act like you are always applying for the position by giving me new ideas to think about. When you stop doing that, then we will have to talk."

With today's information technology, it is possible to be a curator and filter of ideas to help improve the family's overall situation.

7. IT IS NATURAL TO OUTGROW AN ADVISOR.

Again, this is a tough one to think about. You and your family do not look the same today as they did twenty years ago. Do any of your advisors? If so, you may be missing out on some important opportunities. In one extreme situation, a client had been doing his own tax returns for thirty years. He felt they were simple enough.

"I'm only a W2 person with some investment accounts," he told me. The problem was that his W2 was over $2 million, and his investment accounts (which he also managed himself) were a large multiple of that. A review of prior tax returns by a CPA found savings in excess of two years of her fees. He agreed he had outgrown his advisor (himself)! He also brought on board an investment manager for part of his money and learned the benefit of collaborative thinking.

8. YOUR ADVISORS SHOULD BE COLLABORATING WITH EACH OTHER.

Family wealth plans are interconnected in so many ways that advisors need to do more than just talk to one another. True collaboration is not just the attorney contacting the CPA to get information needed to complete a trust. True collaboration occurs when the advisors talk about the potential impacts of various strategies on the overall family and the wealth plan. A best practice is for an all-advisor meeting to occur once a year so that your advisors can talk through the family's current situation and the direction it is heading.

9. BUILD A TEAM THAT IS ALSO PART OF YOUR LEGACY.

By constructing a well-functioning team, you are making life easier for your family when you are gone. Removing the stress of dealing with a financial mess is one of the best gifts you can give your spouse

and children. Even if you prefer to handle things like your investments yourself, having a professional manage a portion of your finances sets the stage for your family in the future.

Be sure to introduce the advisors to your family so they are not unknown entities!

10. YOUR HEIRS NEED TO KNOW HOW TO WORK WITH ADVISORS.

Involving your spouse and age-appropriate children in meetings with advisors is a great learning opportunity. Respectful interactions and the ability to ask questions of expert advisors are best learned by observation and participation. The preservation of your family's wealth could hinge on how well the coming generations choose and work with their own advisors.

11. HAVE A PROCESS FOR FINDING ADVISORS.

The best method for finding advisors is often by asking existing advisors for referrals. Second best is a referral from a peer. When you receive such a referral, ask some version of these questions:

- "What do you like about the advisor?"
- "How did you come to know the advisor?"
- "Why do you think this advisor is the right person for me?"
- "How many clients do you have in common with this advisor?"
- "What do you think is the advisor's unique ability?"

12. HAVE A PROCESS FOR INTERVIEWING A PROSPECTIVE ADVISOR.

The need for good chemistry between you and your advisor extends way beyond technical performance. Knowing your advisor as a person, the culture of the firm, the other employees with whom you will be interacting, and how the firm connects with its clients all matter. How you delve into these is always tricky. In Part Four, you will find a useful grid‡ illustrating an approach to nontraditional due diligence. You can find the full white paper at *www.thealchemiagroup.com.*

13. HAVE A PROCESS FOR EVALUATING PERFORMANCE.

Satisfying clients is a tough, tricky business for advisors. At the beginning of the relationship and periodically thereafter—at least annually—you and your advisor should agree on performance expectations. These will vary based on the particular role, but one way or another, they must be measures that make you feel comfortable and happy, however you want to define them. Some typical ones I have seen include the following performance expectations:

A. Return all calls within 24 hours,

B. Present one new idea per year,

C .Provide a quarterly review and outlook for the next twelve months,

D. Meet in person at least twice per year, and

E. Attend an "all-advisor" meeting once every eighteen months.

‡*Courtesy of Ned Rollhaus & Paul Ferguson of Ascent Private Capital Management.*

14. THINK ABOUT THE TRUST EQUATION

I have an old, yellowed, and dog-earned copy of *The Trusted Advisor* by David Maister, Charles H. Green, and Robert M. Galford. Scott Fithian referred me to this book for one reason: The Trust Equation. The entire book became a godsend for me, but The Trust Equation in particular is spectacular because it draws attention to your advisors' self interest. Credibility, reliability, and intimacy can be overshadowed when an advisor displays excessive self-orientation. Think about your advisor relationships. How much self-orientation do your advisors have compared to their interest in you?

Part Four includes a more detailed discussion of The Trust Equation.

15. PUT IT IN WRITING.

Last, to avoid any confusion, your advisor should give you a memo of understanding on the scope of the work and the compensation structure. This will help reduce surprises for both you and your advisors.

A FINAL NOTE

Siddhartha Gautama was born into a very wealthy family around 500 B.C.E. He lived an early life of pleasure and wanted for nothing. He was destined to be the leader of the Shakya clan (the Shakyamuni). At about age thirty, he was exposed to illness, suffering and death. This caused him great mental anguish and unhappiness. He decided to try and figure out how to be happy with life despite the knowledge of illness, death, and suffering. He had lived the life of excess and was unhappy so he wandered as an asthetic in a state of severe personal deprivation, almost to the point of death. He was no happier (or healthier!).

This was when he sat under the Bodhi Tree (a sort of fig tree) and came to his realization that how you think about things is what matters, and that correct thinking could drive actions that lead to a happy and fulfilled life. He discovered the middle way. Today, he could base a financial advisor training program on it!

In the beginning of this book, you may have suspected that my ideas about The Four Truths of Family Wealth and the concept of the middle way are based on Buddhist thought. Indeed, Siddhartha Gautama is where it all started for me, and who influenced me. He believed in living mindfully, which meant being aware of your actions and the reasons for them.

As I said in the introduction, *The Middle Way* is to live between a life of self-denial and self-indulgence. Excess in either direction is not healthy and leads to unhappiness. Most (if not all) families want to see the coming generations live lives of meaning, happiness, and abundance.

They want them to enjoy and build on the fruits of their efforts in healthy ways.