
HOW WEALTH MANAGERS ARE **WINNING BUSINESS** WITH THE ULTRA-WEALTHY

by James Carney

Find out how to:

- Assess the size of the market opportunity with this elite clientele.
- Prepare in-depth profiles on specific individuals.
- Develop a robust referral business to expand your assets and revenues.



I hear regularly from our clients about the challenges they face trying to further develop business with high-net-worth investors. Yet this is a large and growing market and, for many, that is important for their long-term strategies. Given this, I took the opportunity to speak with David Friedman, President of Wealth-X, a provider of detailed intelligence on ultra high-net-worth (UHNW) individuals around the world, to get his views on how best to tackle this segment.

According to Wealth-X, the fortunes of the UHNW population, defined as individuals with a net worth of at least \$30 million, continue to grow and has surpassed \$25 trillion¹ globally. North America has the largest concentration, representing 33% of this total wealth.

Despite overall growth, David feels that America's ultra-affluent face a multitude of challenges. "Amid increasingly volatile markets, the rich have begun to take a more bifurcated approach to investing," he says. "They are retrenching to arenas where they made their money to help them grow again, and are segmenting their investment strategy into two major buckets. One is risk capital where they are investing in risky private and entrepreneurial pursuits. The other is risk-managed capital where they are looking for multi-asset, global portfolios with sophisticated risk management techniques applied."

In addition, David sees that the money of America's richest is in motion with one in every three UHNW individuals reportedly looking to change their asset manager or wealth advisor. "Wealth is an intimate conversation, and therefore centers on trust," he says. "Platforms, brands and products have become commoditized making it about the individual relationship."



INSIGHTS FROM:

David Friedman,
President, Wealth-X

Wealth-X provides intelligence on ultra high-net-worth (UHNW) individuals, along with the privately held-companies they control. The firm profiles individuals who represent \$10.7 trillion of the world's net wealth offering details on their wealth, income, passions, philanthropic interests, affiliations, politics, advisors, families and biographies.



James Carney
President & CEO,
ByAllAccounts

¹ All Wealth-X estimates and forecasts are based on analysis of a wide range of government, banking and media sources, along with proprietary research generated from the Wealth-X database.

Building client relationships is a battle for hearts and minds; if your quarterly review is only about portfolio performance, you are setting yourself up to be easily replaced. Successful advisors must offer a unique and exclusive experience for the ultra-rich.”

How can this trust be developed and reinforced? Both David and I feel it calls for knowing your clients and prospects in detail. You must understand the distinct profile of each individual—their background, career history, likes and dislikes—to engage with them in a way that is meaningful and relevant to their interests, cares and hobbies. If you really want to connect with them, you will have to learn to be passionate about their passions.

This paper draws on my conversation with David to describe how you can:

- Assess the size of the market opportunity with this elite clientele.
- Prepare in-depth profiles on specific individuals.
- Develop a robust referral business to expand your assets and revenues.

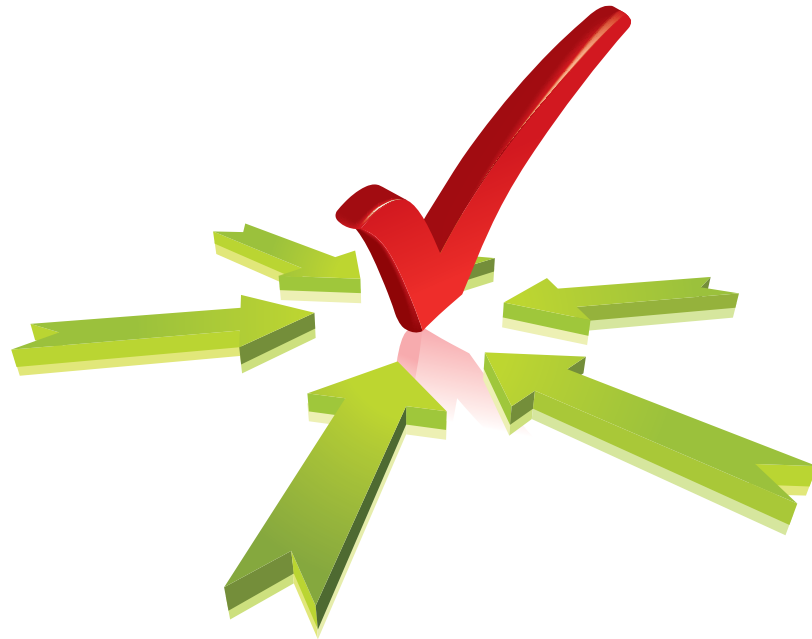


Key Takeaways

- The global market of UHNW individuals has expanded beyond 185,000 and approximately 33% of the super-rich live in the U.S.
- Determining whether this is a target market for you will require a critical assessment of your capabilities and ability to deliver the “table stakes”.
- Beyond this, you must be able to customize the interaction based on the unique needs of each individual and build relationships based on trust.
- Understanding an individual’s background, education, club and board memberships and more will give you an opportunity to have a conversation that captures their attention by touching on their interests and passions.
- Best practices in the UHNW market show that cold calling rarely works and most of your growth will come through referrals.
- Having intelligence on your clients can help you determine what the overall market opportunity is for you, your market share and your wallet share.
- Top performing advisors in the UHNW space craft their wealth design around life goals, not just comparing portfolio performance against the S&P 500. To do a deep wealth design, you need to know everything about your client’s passions and goals in life. This means you need to have as much information about them as you can find to anticipate their needs without them even telling you.

“UHNW individuals are desperate for trusted relationships and customized experiences that meet their unique idiosyncrasies.”

David Friedman, President, Wealth-X



The Realities of Serving the UHNW

While many advisors I speak with dream of serving the UHNW investor, it can be more involved than imagined. UHNW individuals typically expect excellence in all areas of the business—from the breadth of your product offering to detailed reporting and a high-touch service model. You may also need to become involved in intricate family dynamics and have capabilities to handle family governance, estate, regulatory and tax issues.

If you are looking to target this segment for the first time, or further expand your business, I feel it is prudent to begin by critically assessing what is needed to be successful from an operational perspective. Among other things, I believe this includes having:

- A holistic approach to investment management that takes into account all assets a client owns.
- An approach to asset allocation that provides attractive risk-adjusted returns using strategies that are customized for each client's investment goals and risk tolerance.
- Timely and comprehensive performance reporting.
- The ability to provide investment advice on retirement accounts.
- Support for tax and legal issues.
- A proactive and top-notch service model.

If you can meet these requirements, with your own firm's resources or in partnership with other professionals, you have an opportunity to serve the UHNW.

Next you should consider the type of UHNW individual you would like to serve since their characteristics, needs and demands can vary enormously. In part, this will depend on how they acquired their wealth. Entrepreneurs, for

example, may be more interested in advice on how best to finance acquisitions to expand their business, while those who have inherited their wealth may be more interested in strategies for transferring wealth to the next generation. As with any prospect group, matching their needs with your strengths and the personality and culture of your business will help ensure you find the right fit for a long-term, mutually beneficial relationship.

When you are ready to proceed with your outreach activities, consider following a simple three-step process:

- 1. Size your market opportunity** and determine where the UHNW are located to effectively target your initiatives.
- 2. Do your homework** before you meet with any candidate so you can relate to them on a personal level and start to build trust at the outset.
- 3. Manage your existing clients' social capital** by uncovering who they know and making it easy for them to provide referrals by having specific targets in mind.

1. Size Your Market Opportunity

“Advisors should leverage accurate and distilled intelligence to identify locations that have a predominant presence of the ultra-wealthy.”

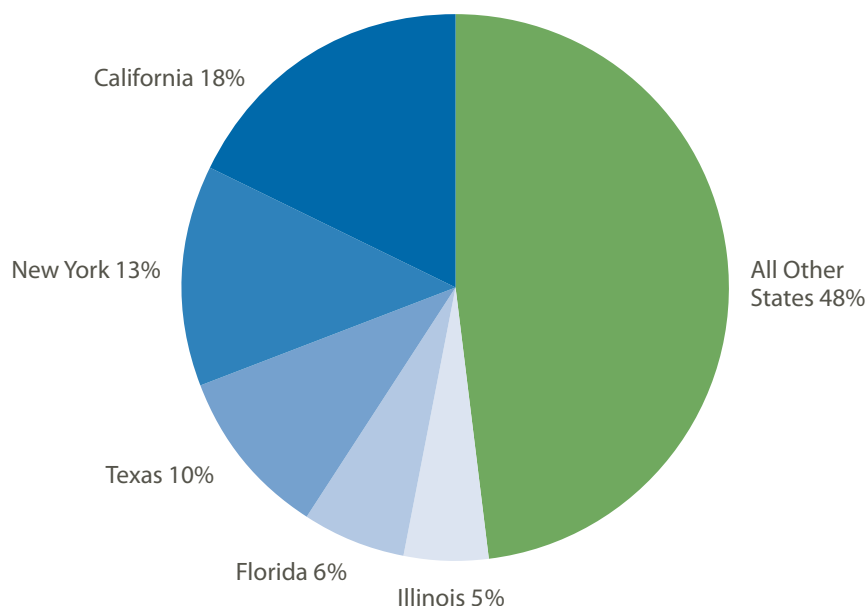
David Friedman, President, Wealth-X

Wealth-X estimates that the global market of UHNW individuals has now expanded beyond 185,000. While about 33% live in North America, 29% in Europe and 23% in Asia today, the rapid growth of wealth within developing Asia may soon change this picture.

Within the U.S., California with its size and robust wealth generating clusters, like Silicon Valley, has 18% of the nation's UHNW individuals. New York follows closely behind with 13%. In total, the top five states (California, New York, Texas, Florida and Illinois) account for more than 50%.

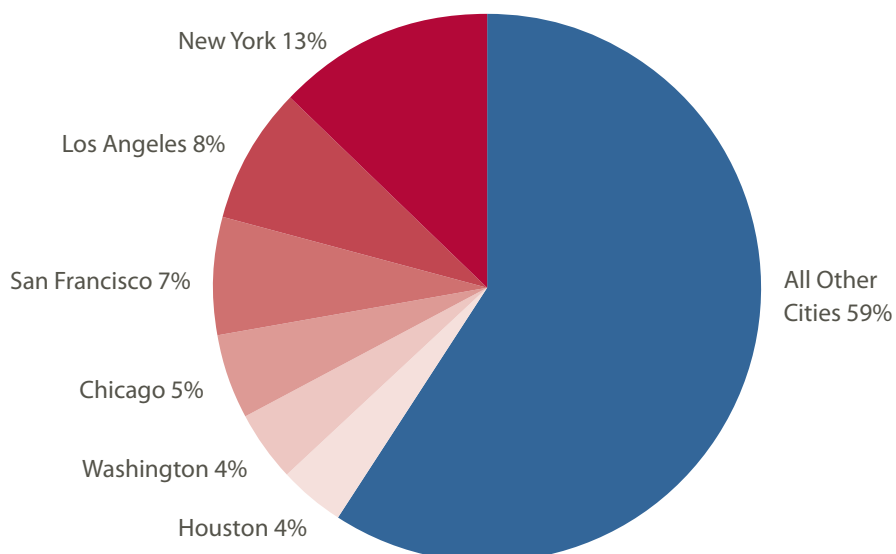


UHNW Market by U.S. State



On a city level, New York City leads with over 13% of the U.S. UHNW population, followed by Los Angeles (8%), San Francisco (7%) and Chicago (5%). Despite the massive wealth transfer that is expected to take place from the baby boomers to their children, Wealth-X believes that the ultra-rich will remain geographically stable over the coming years.

UHNW Market by U.S. City



Cross-referencing this data against your current base of UHNW clients will enable you to assess your market share and the untapped opportunity by region. Wealth-X also provides information on net worth assessments for the thousands of UHNW individuals they maintain data on in their system. For your existing UHNW clients, this enables you to look at how liquid they truly are and your actual share of wallet. Matching this with a holistic view of their assets using ByAllAccounts' data aggregation technology provides additional information on the monies they may have that you are not currently managing.

“Our clients often find their investors are worth a lot more than they realized providing an opportunity to increase share of wallet.”

David Friedman, President, Wealth-X

2. Do Your Homework

“Exclusive intelligence helps deepen understanding of the UHNW population and develop trust between wealth professionals and their clients.”

David Friedman, President, Wealth-X

One of the key trends in reaching UHNW individuals is speaking to them about their life goals and how to clearly define life priorities so they can use their wealth for things they deem are truly important. “To do this effectively,” says David, “you need to be familiar with who they are to steer the conversation. This also enables

you to connect with them on a personal level and create a deeper relationship. Most importantly, showing you took the time to understand them implicitly builds trust from the start.”

Wealth-X provides detailed dossiers on thousands of UHNW individuals. This includes information on their background, career and education history, wealth analysis, philanthropy, clubs, boards, known associates and more. “We suggest advisors mine this information to understand the strongest connection they have with the person they are about to meet. For example, if they both know the same accountant or share a passion around exotic cars it provides a more personalized starting point for a conversation.”

One investor said, “If you walk in the door and start telling me about what products you have, my eyes will glaze over. If you walk in and speak to me about the 1985 Rolls Royce Phantom 6, you’ll have me for an hour—and I’ll want to meet you again.” It’s about doing your homework and creating unique experiences based on people’s passion and hobbies.

“Time is scarce with UHNW individuals. You need to know the narrative of their lives.”

David Friedman, President, Wealth-X

“This knowledge also helps you avoid making mistakes that can derail things,” says David. “We knew an individual who was donating a significant amount of money to a particular charity in support of an illness his young daughter had. If an advisor didn’t know this and started to suggest looking at different giving opportunities, it would have cut the conversation short.”

3. Manage Your Existing Clients' Social Capital

“Referrals are the largest new source for attaining UHNW business. It is critical to effectively manage your clients' social capital.”

David Friedman, President, Wealth-X

“There is little cold calling in the UHNW space,” says David. “It’s almost all referral based, whether from existing clients, accountants, attorneys or the like. That’s how you build your business.” Given this, advisors are tapping into Wealth-X to create “future lists of clients” based on who their existing clients know. This involves three steps:

- Review a client’s profile to identify friends, colleagues and other associates in their business and social networks.
- Review the profiles of these contacts to see which ones fit with the image you have of your ideal client, and cull the list accordingly.
- Develop mini-plans for each prospect to try and obtain introductions and arrange meetings.

“In terms of best practices,” says David, “we found that if you are as specific as possible in your request for a referral the probability of getting it goes up exponentially. It’s the difference between taking a client out for a golf game and a beer and asking for a generic referral versus being specific about someone your client knows because they sit on a particular Board together. The more targeted and explicit the request, the more likely you will get it.” This approach avoids having you hear “no one comes to mind now, let me get back to you.”

“It’s about connecting the dots in a systematically and disciplined way while interacting on a highly-customized level.”

David Friedman, President, Wealth-X

It is also critical that you make it as easy as possible for your client to provide a referral so you minimize the use of their social capital as much as possible. For example, if you are targeting someone on the Board of a charity that has an upcoming event, you should buy a table and let your client know you will be at that event and would welcome the opportunity to meet the rest of the Board.

It’s True—Information is Power

My discussion with David underscores the fact that leveraging information to better connect with the wealthy can yield results. Naturally, you must have all the other things in place as well—the product offering and service levels—but creating trust based on personalized information can be a real differentiator in this part of the market. David and his team have also found that accurate and helpful intelligence actually gives people confidence when they walk into a room to have a conversation, increasing their chances of success. The more a person knows about a prospect, the more in control they feel. As you look to expand this segment of your business, consider how you can help personalize the relationship and connect on a different level.



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James Carney
President & CEO,
ByAllAccounts

James is a co-founder of ByAllAccounts. He and his teams have had a proven track record of effectively building, marketing and selling highly scalable, complex solutions on time and within budget.

Prior to co-founding BAA, James was a co-founder and CEO of Bidder's Edge, the largest online auction portal servicing greater than 500,000 users on a monthly basis with information available on over 8 million items on a near real time basis. Company revenue grew in excess of 100% each year with expanding profit margins. Prior to Bidder's Edge, James was a co-founder and CEO of Workgroup Technology Corp., which developed product information management systems for the engineering and manufacturing environments. The company had a successful IPO on the NASDAQ exchange.

James holds a BS in Finance from Babson College.

About Wealth-X

Wealth-X provides its members with qualified prospects and intelligence on UHNW individuals, along with the privately held-companies they control. The firm works with financial advisors, leading educational institutions, not-for-profits and luxury brands. Its online business development solution profiles individuals who represent \$10.7 trillion of the world's net wealth. The Wealth-X database additionally offers exclusive details on ultra wealthy individuals, including their wealth, income, passions, philanthropic interests, affiliations, politics, advisors, families and biographies.

Headquartered in Singapore, the company has offices in Beirut, Guangzhou, Hong Kong, Kuala Lumpur, London, Lugano, Madrid, Mumbai, New York, Sydney. For more information visit www.wealthx.com or call 877-887-8454.

About ByAllAccounts

ByAllAccounts, the financial advisors' choice for data aggregation since 1999, is the only service that retrieves, enriches and consolidates reconciliation-ready account data from any custodian. ByAllAccounts' patented aggregation engine, through which hundreds of billions in assets flow daily, aggregates all client account data—from any source—within an advisor's wealth management platform or trust accounting system for a truly comprehensive view. Thousands of advisors rely on ByAllAccounts to save administrative time and costs, mitigate risk associated with having incomplete information and grow revenues through client referrals and new business development. ByAllAccounts integrates seamlessly with all of the most popular wealth management platforms. For more information, visit www.byallaccounts.com or call 781-376-0801.

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