

# PAM

PRIVATE ASSET  
MANAGEMENT



12

## STRIKE IT LUCKY

A look at how affluent investors' holdings have been affected by the recent slump in oil prices



18

## REDEFINING PRIORITIES

Steve Barimo on the impact family investment offices are making



4

## THE FIDUCIARY DEBATE

President Obama says 'conflicted' advisors should be held accountable

14

## STRAIGHT TO THE SOURCE

THE ONCE TRADITIONAL NOTION OF 'KEEPING IT IN THE FAMILY' IS FAST DISAPPEARING. PAM INVESTIGATES THE WAYS IN WHICH FAMILY OFFICES ARE OUTSOURCING VARIOUS FUNCTIONS WHILE RETAINING CONTROL OF THEIR OPERATIONS



## Q &amp; A



## Evaluating the advisory beauty contest

Doug Black is the former chief operating officer of private wealth management for UBS Wealth Management. In 2010, he launched SpringReef Partners LLC, a consultancy that evaluates wealth management providers on behalf of ultra-high-net-worth (UHNW) families and nonprofit organizations.

**Q What prompted you to launch SpringReef Partners?**

**A** During my time as an executive in the financial services industry, I began to see a shift in the priorities of major wealth management firms. There was less focus on the needs of the client and increasing focus on matters such as client revenue, profit margins, assets under management and advisor head count. I realized that clients needed someone on their side; specifically, an unbiased, conflict-free partner to look out for their best interests. I founded SpringReef Partners to meet that need.

**Q Why do families typically retain SpringReef Partners?**

**A** Clients usually come to us for one of three reasons. The first is because they've experienced a change in their financial circumstances – e.g. a significant liquidity event due to the sale of a business, a large inheritance, or even a divorce – and find themselves searching for a financial advisor who can appropriately serve their needs. We help these clients find talented professionals with outstanding investment experience, knowledge and capabilities.

The second reason clients come to us is due to dissatisfaction with their current wealth management provider. Oftentimes, a family is already working with an advisor but is unhappy with aspects of their relationship – investment performance, pricing and transparency top this list. These clients retain us to conduct a full evaluation of their advisor, or to take a deep-dive into a specific element of their advisory relationship, such as quality of investment solutions or investment performance.

Finally, some clients – typically the more complex families or organizations with multiple financial advisors – retain us to manage or monitor their advisory relationships on their behalf. In these ongoing engagements, we monitor investment performance, review investment recommendations, ensure clarity and transparency, and act as an advocate for the client during meetings with their advisors.

**Q What are the most important factors an UHNW family or individual should consider when choosing a wealth manager?**

**A** There are a host of qualitative and quantitative measures that are important to consider when selecting a new advisor. SpringReef's qualitative assessment includes a review of an advisor's regulatory records, the strength and stability of their business, and their experience with UHNW clients. Also evaluated is the quality and depth of their investment process, capabilities and solutions, as well as their levels of transparency, conflict mitigation and commitment to client service.

The quantitative evaluation includes a review of their performance results versus appropriate benchmarks and an assessment of their fees relative to industry norms. Of course, overall match and alignment with a specific client's needs, goals and values also plays an important role.

**Q Are you seeing clients keen to hedge their risks across different advisors rather than having only one wealth manager?**

**A** Most families we work with choose a

primary wealth management provider to develop their core investment strategy, and then, if necessary, bring in additional expertise around the edges.

**Q Do your clients prefer a specific advisory model?**

**A** We believe there are exceptional advisors across all advisory models, including the broker-dealer space, registered investment advisors (RIAs) and private banks. And because our business is all about client fit, we have placed families within all three models. There does, however, tend to be a strong preference for the fiduciary standard – our clients want to know that the person to whom they are entrusting their assets is truly focused on the client's best interests.

**Q How do you ensure a financial advisor is qualified to work with an UHNW client?**

**A** When evaluating the qualifications of an advisor, we look at the advisor's overall focus on and experience with clients of similar wealth and complexity – we want to know how long they've been in the UHNW business, how many wealthy clients they serve, and the makeup of those client relationships. We don't want an advisor learning on our clients' assets, so we will only recommend those who have at least seven years of UHNW experience, more than \$1bn in assets under management, and a median client asset level aligned with that of our client. ■

Working as an investor advocate, SpringReef Partners LLC reviews clients' existing financial advisors, searches for new, best-in-class advisors to meet specific needs, and provides ongoing monitoring of advisor relationships.