



Achieving best-in-class wealth management integration

by Joe Calabrese, Chief Operating Officer

For an ultra-high net worth family’s strategy to succeed, it is accepted wisdom that the efforts of its advisory team members must be integrated. However, being widely accepted doesn’t mean integration is easy to do. In fact, effectively combining the work of various disciplines on the team into a cohesive unit is one of the biggest challenges in wealth management.

When advice from different disciplines isn’t fully integrated, a plan to achieve a family’s multiple (and often conflicting) goals can fall short. Fortunately, families can take important steps to achieve best-in-class integration and maximize the value of their advisors’ work.

By leveraging an integrated wealth strategy, families have a much greater chance of meeting their needs and achieving their goals. But because implementing such a strategy can be difficult, advisors must pay heed to factors that may prevent its effectiveness and guide clients in the best way to achieve integration.

The wealth management ecosystem

For families, comprehensive wealth management extends beyond investments, taxes, wills, and trusts; it includes family governance, leadership development, succession planning, philanthropy, and a host of other considerations. A thought leadership model for organizing these needs and service areas – The ten domains of family wealth (see at right) – outlines various factors families should consider and provides a road map to provide integrated, collaborative, client-centered services for their benefit.

- The Advisor-Client Relationship
- Wealth Creation and Stewardship
- Cultivation of Family Capital
- Human Advancement



Source: The UHNW Institute
<https://www.uhnwinstitute.org/resource-library>

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As a result of these factors, the wealth management ecosystem is inherently composed of a number of advisors and constituents. (See below.)

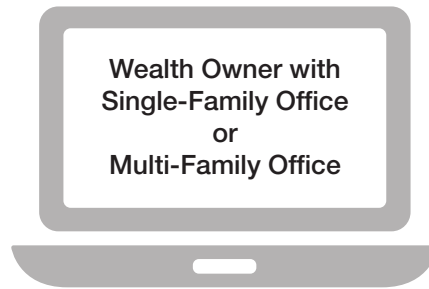
The wealth management ecosystem

Support/Service Providers

- Banks
- Domestic and global custodians
- Attorneys
- Accountants
- Brokers

Investment Entities

- Operating companies
- Family limited partnerships
- Common trust funds
- Third-party investment funds



Investment Advisors

- Investment committees
- Allocation advisor
- Investment consultants
- Investment managers

Client/Family Constituents

- Trusts
- Charities
- Individual investors

Discretionary Decision Participants

- Individual trustees
- Corporate/directed trustees
- Family business equity holders
- Trust protectors

The role of integration in wealth management

Families with successful wealth strategies share a common view: They acknowledge that integration adds value and find its incremental costs to be worthwhile. These families recognize the importance of two key factors.

The first is understanding and managing interdependencies. Effective wealth management is greater than the sum of its parts. All the elements need to work together toward a common purpose. A strategy has the best chance of succeeding when it is managed like a business, with a leader who ensures clear accountability and coordination across all functions. Every family that has run a successful business understands the importance of coordinating the work of various teams – human resource management, finance, sales, and marketing – when making critical decisions and plans. Ultra-wealthy families benefit from applying many of the same governance and management practices to the management of their wealth.

The second key factor is seamless execution. A well-designed wealth strategy requires thorough, comprehensive planning. However, no strategy can be counted on to achieve important goals without timely and effective execution. This requires ongoing oversight, adaptation as circumstances change, and full integration of the work of professional team members and constituents.

Challenges to effective integration

If everyone agrees that integration is critical, why is it so difficult to achieve? There are a number of obstacles that, for simplicity, we sort into two major categories – weak client commitment and poor team dynamics.

Hesitation is one example of weak client commitment. Effective integration requires dedicated and competent leadership. In some situations, neither the client nor any member of the client's team wants to take a leadership role. This is often the case when the value of integration is underappreciated. Procrastination is another example

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of low commitment. Even when a wealth management leader is identified, that leader – a family member or one of the advisors – can delay accepting the role or responsibilities because of lack of confidence, competence, or conviction.

Another factor contributing to low commitment is cost. The costs of integration present a dual problem. While we see an increasing demand from clients for integrated, objective advice, families are often reluctant to devote time to integration because they are apprehensive about the high cost of assembling numerous professionals, many of whom bill by the hour. From an advisor's perspective, effective integration has proven expensive to deliver, given some combination of the need to either hire numerous professionals to provide different services and the need to oversee work delegated to other third parties. This demand-vs-supply imbalance presents challenges for clients and the wealth management industry to successfully develop and implement comprehensive plans.

Less than ideal team dynamics represents the other major category of obstacles to effective integration.

It is often evidenced by weak coordination, a narrow focus and conflict avoidance among team members. For example, the work of advisors chosen by the client may not be synchronized with other team members. The resulting weak coordination can complicate working relationships and create a lack of trust among parties.

Also, advisors can be focused on their own area of expertise and not consider the overarching objectives of the family and the interdependencies with other disciplines. Such a narrow focus can lead to missed planning opportunities, and administrative errors such as missed, erroneous, or late filings. When attempting to achieve amicable working relationships, advisors may be concerned about being liked and accepted by others, and avoiding conflict. As a result, they may not be effective advocates for solutions they recommend that may be unpopular but in the family's best interest.

Additionally, competition, outdated skills, and conflicting egos are other common contributors to poor team dynamics. Advisors may view themselves as competing with each other for favored status with the family and a limited pool of fee income. In terms of skills, the expertise of some long-serving advisors may not be keeping pace with the changing wealth management landscape and increasingly complex needs of an ultra-wealthy family. Unchecked egos can hinder effective teamwork, especially if team members believe their territories are being encroached upon.

Costs of poor integration

When wealth teams operate as a loose confederation of advisors rather than as a cohesive unit, the client family may not achieve critical strategic and financial goals. There are three main reasons for this.

The first reason is poor performance and missed opportunities. Suboptimal transaction planning, e.g., for the sale of a business or real estate, can result in a failure to optimize the full value of important family assets. And attractive opportunities to grow or protect assets can fall through the cracks if team members do not collaborate.

The second reason is higher costs. Ineffective integration and planning can lead to the overpayment of taxes. For example, poor asset location decisions about allocating assets among taxable, tax-deferred, and tax-exempt accounts can lower the tax efficiency of a family's total portfolio. Missed opportunities to take advantage of tax-loss harvesting can also increase a family's tax bill. Finally, families may incur higher costs if the work done by various team members is not monitored closely or is liable of being duplicated.

The third reason is incomplete plan execution. Every wealth management strategy, no matter how well conceived or mapped out, will encounter barriers to execution or implementation. Those barriers may be in the form of poor communication between members of the clients' team of advisors, a lack of clarity about responsibilities, or failure to anticipate and understand where gaps exist in the strategy. The result is that only a portion of a client's plan or strategy will be successfully implemented rather than 100 percent of it, obviously a suboptimal outcome.

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How to achieve integrated wealth management

Accomplishing complete integration is challenging, to be sure. But by taking certain actions, families can ensure that their strategies are being managed in a unified manner. These actions include achieving clear accountability and outstanding communication, ensuring advisors have the right skills and competencies, aligning compensation, and using technology effectively.

Clear accountability

There are three ways to achieve clear accountability. The first is to identify a leader accountable for assembling and overseeing the work of team members. Define the exact duties, expectations, and scope of authority of that position. The second way is to ensure that the leader selected has the requisite skills, relationship capital, and support of the family to succeed. The third way is to specify the roles, responsibilities, and expectations of family members, family office executives, non-family professionals, and other stakeholders who will collaborate with the leader to implement strategies.

Outstanding communication

Outstanding communication can be achieved in four ways. First, articulate the family's values, strategic goals, and mission, then ensure that each member of the family's wealth ecosystem understands them. Second, maintain an effective planning schedule, conduct frequent meetings with the team, and create detailed minutes that document the decisions made, issues to be addressed and actions to be taken. Make sure responsibilities for tasks, expected deliverables and timetables are clear.

Third, manage a disciplined process that ensures execution and follow-up. Fourth, include outside advisors in all relevant communication.

Skills and competencies

Ensuring that advisors have the right skills and competencies can be accomplished in two ways. The first is to select a team of high-quality professionals with experience being effective at the UHNW level. As a colleague once described, a high-performing team should consist of problem solvers who not only have the ability to "see the bus coming" but the ability to "stop the bus" if needed. The second is to build a network of professionals across the full range of areas in family wealth, e.g., investments, tax, estate planning, governance, leadership, family development, health and wellness, and philanthropy. The family should have access to experts in all 10 domains within the team or by qualified referrals.

Alignment of compensation

To align compensation, ensure that advisor and employee compensation are free of conflicts of interest or hidden biases toward products or services.

Technology and reporting

To make sure that you are using technology effectively, start by incorporating platforms that are able to generate reports connecting information and accounts to provide a holistic view of family wealth, not just isolated investments. Also, use technology that enables information sharing among advisors and implement email aliases, encryption, and other cyber practices to enhance security and simplify communication with team members. Other examples include applying client relationship management (CRM) technology to manage workflow and using digital tools, including mobile technology, to strengthen 24/7 access to information.

While an integrated wealth strategy takes time and effort to develop, the payoff is well worth it. With comprehensive planning and oversight, UHNW families have a much greater chance of achieving critical family goals and meeting the needs of the current and subsequent generations.

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About the Author

Joe Calabrese is Executive Vice President and Chief Operating Officer at Key Wealth Management. He is responsible for overseeing the development, integrated delivery, and strategic development of a full range of financial planning, investment, fiduciary and banking capabilities for Key's clients. Joe has more than 25 years of experience in the financial services industry. He joined Key in 2016, and lends his knowledge and expertise to affluent individuals, families, business owners, and institutions.

Before joining Key, Joe held a wide range of executive roles including President and CEO of Geller Family Office Services, a New York based RIA and multi-family office; and President of Harris my CFO, which focused on serving clients with a net worth in excess of \$100 million.

Joe graduated from McGill University in Montreal, Canada with a joint honors degree in Economics and Finance and holds a Chartered Accountant designation. Joe actively serves on the advisory board of The UHNW Institute and the Gaples Institute for Integrative Cardiology. He is a past President of the Goodman Theatre Board of Trustees in Chicago, and also served as Chairman of the board of overseers for Lewis College of Human Sciences of the Illinois Institute of Technology.

Joe resides in Bronxville, NY with his wife and three children.

If you have any questions or need more information,
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