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GUEST ARTICLE: Are Advisors Talking To The Right Clients?

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Advisors need to fully understand they are talking to the right clients and engaging over philanthropy can often be a crucial step.

When advisors sit down with wealthy families and groups of individuals it can be easy not to understand who might be really calling the shots. Advisors need to have a finely-tuned radar.

The author of this item is Susan Winer, chief operating officer and founder of Strategic Philanthropy, a firm headquartered in Chicago. Susan is a regular commentator for Family Wealth Report (see a previous article of hers here.) Her firm works solely with high net worth and ultra-high net worth donors, and was established in 2000. In a series of articles, she is setting out some of the most important issues in philanthropy and financial advice, not just for those in North America, but around the world. The editors of this news service are delighted to share these insights and we hope they stimulate debate; readers who want to send in commentary and feedback should contact the editor at tom.burroughes@wealthbriefing.com

What are advisers to high net worth and ultra-high net worth individuals and families missing that could grow and sustain their practice? The answer is that they are talking to the wrong person.

For a significant number of advisors habit and assumptions have focused discussions around wealth management, financial and legal planning with the men in families or couples. But consider the following:

- In the next 40 years, women will inherit more than 70 percent of the $41 trillion dollars in expected intergenerational wealth transfer. (Stanford Social Innovation Review 2016.)
- Women control and influence upwards of $20 trillion, or 27 percent of the world's wealth. In the US, women exercise decision-making control over $11.2 trillion. That is a whopping 39 percent of the nation's estimated $28.6 trillion of investable assets and nearly half of that purse - $5.1 trillion - is managed solely by women. (Center for Talent Innovation 2014.)
- The Center for Talent Innovation looked at the US, UK, India, China, Singapore and Hong Kong and found that 66 percent of women identify themselves as primary decision makers over household investable assets. Female wealth creators are the most likely to describe themselves as primary decisions makers (as fully 75 percent do), but surprisingly, so too do 66 percent of inheritors and 43 per cent of women whose spouse created their household wealth.
- Women, on average, live five to eight years longer than men do and more than 975,000 American women are widowed annually with the median age for new widowhood at 59. (US census Data.) leaving them with primary financial management responsibility.
- About 90 per cent of household giving decisions involve women… When only one person makes a giving decision, women are more than twice as likely to be that person. (Key Private Bank Study 2016.)

So what do these findings tell us? Consider the following scenarios experienced by two of our clients.

A few years ago, a woman whose husband had recently died was trying to organize their financial and legal matters. They had significant wealth, were well known in the community and very philanthropic. While the wife managed the philanthropy focus, for the most part her husband handled financial and legal matters for them. She was extremely smart and had started two social ventures successfully but when she called their advisor at the financial institution they were using to schedule a time to meet to discuss their investment portfolios and received no return call - twice - she asked her son-in-law to place a call.

He promptly got a call back saying they should meet to ensure the son-in-law was up to speed on the holdings and estate. She discussed her frustration with us and we introduced her to a few advisers who we felt would be more responsive to her interests, including her philanthropic interests. She switched advisers and now has a woman advising her who is a great "quarterback" she said, that understands all of her financial priorities.

Every year a client of ours makes a $1 million gift to an organization. She comes in with the area of interest, we provide her with options; organizations that are sustainable and are aligned with her interests, so she can select the one with the program or project she most likes. When her husband died, several years ago, a private foundation was created to mitigate some of the tax issues the family was facing.

She and her daughters were managing the foundation, but she did not want to impose her charitable interests on her daughter. She had no idea how to proceed and discussed this with her attorney who suggested that she talk to us. Even though she initiated the conversation with her attorney, she said, "He promptly gave me the direction and help…professional philanthropic advisory support - I needed. I'm glad I spoke up and he's been interested in my progress and experiences ever since."

In both of these scenarios women of wealth needed, and wanted a different kind of response and interaction with their key advisors. Graeme Campbell, Senior vice president and director of wealth management at Inverness Counsel in New York said: "Clients want advisers to ask them what is important to them, not wait to be told. They want an advisor who is interested in who they are not just what their spreadsheet looks like."

"There's nothing unusual about this expectation," she said, "it is just that every study shows that while advisors think that is what they are doing, their clients do not." Campbell pointed to a recently released study of HNW women by BNY Mellon. "They found that among women who have financial advisers, 67 percent say that their financial advisor does not understand them or is not interested in their needs or goals." Building on this, The Center for Talent Innovation found that 53 percent of the women surveyed globally did not even have a financial advisor and 75 percent of US women under 40 did not have a financial advisor.

Philanthropy as a lead in to conversations about asset management and legacy planning

It is not just that women have different expectations of their advisers, they also approach the use of their assets differently. According to the Women's Philanthropy Institute, 56 percent of women compared to 44 percent of men are more concerned with the social impact of their investments and would be willing to accept a lower return from investments in companies that have a greater positive social impact. The Institute also found that women are nearly twice as likely to say that giving to charity is the most satisfying aspect of having wealth.

The Matterhorn Group at Morgan Stanley clearly recognized this opportunity when they created the Parity Portfolio in 2013. The Parity Portfolio invests in companies that have a minimum of three women on their board and withstand rigorous financial analysis. According to Eve Ellis of the Matterhorn Group, they have seen a substantial uptick in interest over the past 18 months and HNW women and women advisors are their strongest market because they are attracted to both the social and competitive financial return offered.

But there is a sea change occurring. A growing number of firms, particularly those with women in C-Suite positions, are beginning to recognize that when both a man and a woman are in the room, it might well be the woman who is the primary decision maker. When charitable giving activity and interests (and not just as a tax mitigation) are included in the opening questions in a client meeting, or during the intake process, the advisor is more apt to land the client. If continuing to learn how that philanthropic interest impacts the family and their legacy and financial management is a natural part of the conversations with clients then the advisor will not only hold on to that client but be positioned to support the next generation.