IE INVESTMENT EXECUTIVE

*HNW Guide 2017*

# Front row seats

### Advisors who specialize in serving the affluent share their insights

By IE Staff | Mid-October 2017

**Earlier this year,** *Investment Executive* (*IE)* invited seven financial advisors who focus on the high net-worth (HNW) market to share their insights about serving these clients. Although most focus on clients who have at least $5 million in investible assets, the advisors offered tips and guidance for serving clients with a minimum of $1 million in investible assets and whose wealth is likely to increase.

The discussion took place at IE's offices in downtown Toronto, with several participants joining the discussion through video conferencing. *IE*'s former editor-in-chief Tracy LeMay (who retired in July), and senior editor Patricia Chisholm moderated the panel discussion. The panel members were:

- Todd Degelman: Co-founder, vice chairman, national sales manager and senior investment advisor, Wellington-Altus Private Wealth Inc., Saskatoon. Book of business: $1.1 billion; 750 families.

- Nader Guirguis: CEO, HSBC Private Wealth Services (Canada) Inc., Toronto. Book of business: $3 billion; 1,000-plus Canadian and international families.

- Rosemary Horwood: Vice president and investment advisor, Richardson GMP Ltd., Toronto. Book of business: $120 million; 115 families.

- Sean Messing: First vice president and portfolio manager, CIBC Wood Gundy, Calgary. Book of business: $500 million; 250 families.

- Ian Robertson: Vice president, director and portfolio manager, Odlum Brown Ltd., Vancouver. Book of business: $300 million; 125 clients.

- Francis Sabourin: Director of wealth management and portfolio manager, Richardson GMP Ltd., Montreal. Book of business: $150 million; 75 families.

- David Serber: Vice president, portfolio manager and wealth advisor, RBC Dominion Securities Inc., Toronto. Book of business: $140 million; 80 families.

*This selection of comments from the panel has been edited and condensed.*

***Tracy LeMay (TL): Broadly speaking, where do you see opportunity in the HNW market?***

***Nader Guirguis (NG):*** The vast majority of the HNW individuals and families in Canada are business owners or retired business owners. Trying to help them through business succession planning is one of our primary focuses. Basically, they don't know what they don't know at this stage of the transition.

***Ian Robertson (IR):*** The other area we see in Vancouver, and I would imagine in some other markets, is folks who have new wealth by selling their homes. They [may] net out anywhere from a half-million to a few million dollars that suddenly needs to be invested. It's broadly been part of their retirement plans, but it's a big challenge for them. So, we have to integrate that into their financial plans.

***TL: What do you see as the common goals among HNW clients?***

***Rosemary Horwood (RH):*** Yesterday, I had a first meeting with clients and the first question was, "Just tell me everything." I write everything down [and] I would say the most common top five goals are: (1) lifestyle now or in the future; (2) leaving a legacy for their families; (3) charitable causes; (4) travel; and (5) real estate.

***NG:*** [Business owners] take risks in their businesses most of the time. And they're most concerned with preservation of capital while generating income that will sustain their lifestyle. And modest growth. The majority of our mandates in investment management are conservative or balanced.

***Sean Messing (SM):*** It's also very important to minimize taxation and enhance charitable giving. [Clients also ask]: "How do we effectively enjoy this wealth we've built?" And it might [even include] that special backstage pass to the Rolling Stones concert in New York that we can now access through our concierge service.

***Patricia Chisholm (PC):*** Can you comment on building and running advisory teams and keeping everything working smoothly?

***Frances Sabourin (FS):*** We start with the vision, to get to know their feelings, their objectives, what are they're scared about. Then, we work on planning and guidance. I don't want to bring [in team members] who are useless. I have key people for every section of my vision who can bring value to the client.

***David Serber (DS):*** The business has completely changed in the past 10 years. We now have more than 200 people who are strictly resource consultant people for advisors like myself, and they fall into three groups: financial planners, wills and estate consultants, and estate planning specialists who are focused on insurance. So, I can pick and choose from that group for any particular client.

***SM:*** The client looks to us to bring in the right partners. [In the past decade], we've become like New Age private bankers. We work on weekends; we work remotely; we work when we're in the U.K. We pick up the phone and we tell the client: "I've got this, don't worry. I'll get back to you today."

***IR:*** I think the banks take it to a much bigger and more comprehensive scale than we do. We have within the firm some dedicated financial planners and insurance experts. We work with our clients' lawyers for estate planning. And of our team of three, one is a chartered professional accountant. During tax time, that team member also liaises with clients.

***RH:*** For a lot of HNW families who have existing relationships with accountants or lawyers, it could be very disruptive to sever those relationships. We recommend that our clients use [their professionals] who are doing a fantastic job for them. And if they feel like that's not case anymore, we can recommend others.

***TL: Any comments on what an advisor at a smaller firm can do to build a team?***

***Todd Degelman (TD):*** I don't think the [firm]size really matters. We run enough assets that we can have inside counsel for accounting, legal, whatever we like. The question is, [when services are linked to a particular firm], I believe there's a potential conflict of interest. And, after a lot of thought, I believe in outsourcing. I'd rather have an Ernst & Young LLP stamp than a Wellington-Altus stamp that's my [accountant]. I want to [be clear that] we're objective and we're trying to get the best talent. That's our philosophy, and it's not because of the size of the firm.

***TL: What steps do you take to ensure the loyalty of clients?***

***FS:*** It's not just the discovery process that's important; it's the ongoing service of [the client's] needs over the years - [what's] coming down the road; the roller-coaster of life; the stock market; or different events in life. That's why you have to be there, day in and day out.

***TD:*** Trust is a funny thing. I've gained the most respect and trust with my clients by telling them what they need to hear, not what they want to hear. And it's those tough conversations, sometimes heated, that have probably built the most trust in my practice.

***SM:*** We make it mandatory that the spouse comes to the meeting every single year. And that's sometimes the toughest thing to do, with our Type A personalities, to sit back and just listen. That has been where we have found a lot of success in bridging that millennial gap. How do you relate with someone who just stares at their phone all the time?

***IR:*** I think clients look to us for a relationship as well. They want to know a little bit about us: what we like to do, whether it's sailing or hiking or skiing, but also giving back to the community - coaching kids softball or sitting on boards. Not that we need to trumpet that, but it helps to build and maintain that trust.

***TL: How do you find the best ways to communicate with your client?***

***FS:*** With communication, you have to adapt. With social media, some would like you to connect through Facebook; some with text messaging; others through email. Some with fax or phone calls every week, every month. You really have to tailor it to meet [each client's] needs.

***TL: To what extent is discretionary management practiced in this space?***

***NG:*** [HSBC] teams establish relationships globally in the companies [in which] we're investing clients' money. The clients understand that global diversification is an important dimension.

***FS:*** If I'm not discretionary, there's no way I can keep this business. Clients perceive the value in us, and the expertise. They sign a mandate, we understand the risk level and we build a portfolio accordingly.

***TL: Do HNW clients have a good perception of their risk level?***

***IR:*** They have a very good understanding of the risk in the stock market because it's on the news, it's in their face. But for the other [types of assets], they really don't. They often come to the table with preconceived notions about the safety of real estate investment trusts or pipeline companies or high-yield bonds.

***TD:*** I don't think clients really understand risk at all. It's a very tough thing. We do everything that [compliance requires] with all the steps, and we still look at the portfolio and say, "OK, what's really the risk here?" It's something that keeps a lot of advisors up at night; it certainly keeps me up at night. Are we conservative enough while still trying to chase a decent return? [As a result], we've incorporated really good reporting. And HNW people, they want really good reporting. [If markets drop by 10%] and you're only losing 2% - and you can live with 2% this month - and then next month is a positive one, then maybe we're still in the game. Clients need to have something they can look at on a monthly basis when they have those hardships, when the noise and the media get to them.

***PC:*** With public markets shrinking, what are your views on recommending alternative investments to clients?

***SM:*** We have not really felt that it's hard to find a good public company, as yet. We definitely don't have our heads in the sand; we see the number of public companies steadily declining. But the rise of ETFs has given us a lot of alternatives that we can utilize in some special situations. So, you can add a form of infrastructure investing or private-equity investing by using seasoned professionals who have done very, very well in that space.

***TL: Is charitable giving an area of significant interest to HNW families?***

***DS:*** Donor-advised funds are popular in the smaller market - say, $25,000 to a few hundred thousand dollars. At higher amounts, half a million or $1 million-plus, you [may] talk about creating your own private foundation. [For example], I had clients who were interested in leaving a legacy to a university that related to their business. I contacted the dean and set up a tour and a meeting and got involved in facilitating that legacy.

***IR:*** If people are giving ongoing amounts to charities, we'll raise the prospect of donation in securities, which has resonated with a good number [of clients], who now do that regularly.

***TL: Is socially responsible investing of particular interest to HNW clients?***

***FS:*** More and more, [clients say]: "I don't want to have any oil and gas; I don't want to have [other] categories" - for example, arms and weapons manufacturers. I say, "No problem. Through our investment policy, [we make such changes]." It's getting more and more [attention] from clients. So, we have to respect that.

***NG:*** We do personalize the investment portfolios to the clients' values and beliefs. The most common requests we get are, "I don't want any alcohol or tobacco or firearms." But, sometimes, [clients also target] specific companies. So, we customize it to adjust to clients' needs or preferences.