

INTERVIEWER: I would like to focus our conversation on the wealth management trend. What is wealth management?

SAENZ: From an advisor's perspective, I think it is helpful to define the term wealth management (WM) in two ways – The first is what the advisor does for his/her clients. The second is the type of client the advisor should be doing this work for.

Unfortunately, the term WM is used very loosely in our industry. To me, a true wealth manager advises his/her clients on ALL of the issues that can affect a person's wealth. Based on my experience, these include three primary areas and two or more secondary areas: Accumulation (asset management); Preservation (life insurance); Distribution (estate planning); Income Protection (disability insurance); Debt / Liability Management

A good wealth manager can talk intelligently to a qualified client about all of these areas. And, if the wealth manager does not address any of these areas directly, he/she must be able to collaborate with an external professional who does.

Finally, a good wealth manager knows and takes into consideration the various tax implications in each of these areas. In other words, what is the most tax efficient way for a particular client to accumulate, preserve and distribute his/her assets? What is the most tax efficient way to purchase disability insurance and what is the most tax efficient way to use debt and manage your liabilities?

At the end of the day, the wealth manager and his/her team should be able to pull all of this together and present a comprehensive wealth management plan to their clients. They must then be able to implement the various components of the strategy. Last but not least, they must have a system in place for monitoring the strategy and making adjustments as appropriate.

The second way to define WM is by the type and size of your client. To me, a true wealth manager (someone who addresses all of these areas) should be targeting clients with liquid net worth of greater than \$1 million. In general, the more complex the client's life, the better. I also believe that younger clients, those with relatively large families, and those who own closely held businesses, are the best candidates for comprehensive wealth management.

INTERVIEWER: Why is it becoming so popular?

SAENZ: In October 2001, *Horseshmouth* published a paper I wrote called, "*What are You? A Broker, Advisor, Consultant, Planner, or Wealth Manager?*" In that paper, I introduced a chart called the *Evolution of the Advisor Business Model*. This is the chart that shows various business models ranging from stockbroker to family office. WM is the business model just below family office. The chart basically says that advisors have been evolving up the food chain (toward the wealth management model) because of commoditization. Moving up the food chain enables advisors to add more value to their client relationships. Trading stocks is something that many people can do at least as well as their brokers via e-trade. Managing wealth as we discussed above is not something the typical person can do in their home office.

INTERVIEWER: What advantages does a wealth management practice offer the typical advisor?

SAENZ: If it is built and delivered properly, wealth management enables a financial advisor the ability to add significant value over the other business models. It also insulates his/her business in the sense that it will be more difficult for other advisors (competitors) to lure or steal their clients away.



An Interview on Wealth Management with an Industry Publication and Steve Saenz, President and Founder

INTERVIEWER: Is it more profitable than a financial planning practice?

SAENZ: It can be more profitable IF the advisor makes the appropriate changes to the structure of his/her business. By structure, I mean the number of clients and the size and make-up of his/her team. One of the biggest mistakes I see is that advisors try to make the transition to the wealth management business model without significantly reducing the number of clients he/she is working with. The stockbroker business model can support hundreds of clients. Generally speaking, the wealth management business model can only support 50-75 clients effectively.

INTERVIEWER: What trends in the larger world are making the wealth management model so successful?

SAENZ: I think technology in general is driving a lot of it. The typical investor now has access (for free) to the same research and asset allocation models that we used to offer as high value added resources. The internet and its general acceptance by the general public obviously have a lot to do with it. In general, anything that empowers the investor will drive advisors to adopt higher value business models. It also occurs to me that there has been an extraordinary amount of wealth created during the past several decades. So, a lot of this is simply demand driven.

INTERVIEWER: What are some hazards of hanging out your shingle as a wealth manager?

SAENZ: If you position yourself as a wealth manager, you better be able to deliver. One hazard is getting in over your head.

INTERVIEWER: If everybody calls themselves a wealth manager doesn't that dilute the brand?

SAENZ: To a certain extent. It has been my experience that a small percentage (possibly less than 10%) of the advisors out there are truly qualified to deliver the wealth management business model. This can be good news for them IF they get out and let people who need these services know about their capabilities.

In the past several months, I have had a number of conversations with wealthy individuals. There is still a huge perception problem about our industry. The only way to counter that is to engage in an aggressive 1-to-1 public relations campaign in everyone's local communities. Start with your best clients and get the word out about the value you add and why everyone needs an advisor/wealth manager.

INTERVIEWER: How can your program, Optimize Your Business (OYB), help advisors in that regard?

SAENZ: The OYB Process forces you to focus on quality rather than quantity. It starts by making you take a hard look in the mirror and identifying all the barriers (internal and external) that may be keeping you from achieving your full potential. Then it walks you through a process that will empower you and your team to minimize these barriers, get organized, and put systems in place that will ultimately enable you to optimize, or achieve your full potential.

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