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The UHNW Institute

2024 Symposium Report

The Future of Family Wealth Advising: Positioning Your Firm for Success

Symposium 2024

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Event Overview

The Ultra High Net Worth Institute's 2024 Symposium brought together more than 300 leaders in the family wealth space to tackle the evolving needs of ultra-high-net-worth families. Hosted by UBS in New York City, the event was co-sponsored by Family Wealth Report. This year's event kicked off with opening remarks by Family Wealth Report's CEO, Stephen Harris, who underscored the honor of being associated with the Institute. "It's a marvelous body of work and a marvelous body of people as well," Harris stated, expressing his gratitude to see so many engaged attendees ready to participate in the day's program.

Harris also recognized Steve Prostano, CEO of The UHNW Institute, as one of the inspirational figures driving the Institute's remarkable progress over the years. In Steve Prostano's words, "This community is more than a think tank; it's a do tank. Our mission is to provide frameworks, tools and resources that advisors can apply to deliver real change."

With the stage set, Harris introduced the first panel discussion, which delved into the key trends and complexities shaping the modern ultra-high-net-worth family.

The Evolving Needs & Key Trends of the UHNW Family: Why Providing Integrated Wealth Management for Families of Wealth is Mandatory for the Firm of the Future

The first panel of the day, featuring experts Kristin Keffeler (Johnson Financial Group), Andrea Ayres (Brown Advisory), Kelly Lora Ewart (Ballentine Partners) and Charlie Grace (Cambridge Associates), explored the evolution of modern family dynamics and their impact on wealth management.

The central focus of the Symposium was the dramatic shift in family structures and dynamics and the imperative for wealth management firms to adapt their approaches accordingly. As Kristin Keffeler explained, "The traditional family model of a white, male-led, heterosexual nuclear family is increasingly giving way to more diverse family compositions, including female-led, blended, cross-cultural and multi-generational households." This evolution in family structures has led to heightened complexity in decision-making processes and a greater need for integrated, family-centric wealth management.

To effectively serve these modern families, wealth managers must move beyond siloed, product-centric approaches. Firms must also adopt an integrated mindset that places the family at the center and proactively considers their diverse needs and perspectives. This requires the presence of an "integrator" or quarterback who can coordinate the various specialists and resources required to address the family's comprehensive needs.

The challenge is compounded by the lack of clarity and consistency around industry terminology, which Keffeler identified as a pain point for families. "There's confusion in the marketplace about what services are out there and which ones are appropriate for which kinds of families," she explained. "Families don't know how to ask for what they need, and we don't necessarily have the same definitions for what terms mean to be able to help them get connected with the services that fit their needs." To address this issue, Keffeler emphasized the importance of clear communication and a collaborative approach, where both the advisor and the family have clearly defined responsibilities across the distinct phases of service delivery."We need to invite the humans into the room because when we do, we get much better information to... create plans that everybody can live with and thrive within," Keffeler said.

Key Takeaways:

Modern Families Require Tailored Solutions:

Wealth managers must adapt to increasingly diverse and complex family structures, including multi-generational and non-traditional households.

Integrated Models Enhance Effectiveness:

Approaches like The Institute's Ten Domains of Family Wealth© model and its Multiphasic Service Model streamline complexity, fostering collaboration and alignment with family goals.

Evolving Client Expectations Demand Innovation:

Customized, proactive strategies build trust, meet unique needs and drive referrals in today's wealth management landscape.

From the Ten Domains to Service Delivery: Building a Toolbox for Families and Firms

The second panel of the day, consisting of experts Jim Grubman (Family Wealth Consulting) and Wally Head (Personal Fiduciary Advisors), introduced attendees to The Institute's groundbreaking new tools and resources for both families and advisors.

Building on the existing framework—The Ten Domains of Family Wealth—this session highlighted The Institute's new Wealthesaurus™, its Multiphasic Service Model and its Advisory Business Models Grid and Survey.

The **Wealthesaurus™** is the first glossary of standardized definitions for terms used by advisors working with ultra-high-net-worth clients.

Similar to glossaries like Investopedia, the Wealthesaurus defines common and specialized family wealth advising industry terms, supported by an explanation and cross-references to related terms and citations when available.

Jim Grubman states, "The Wealthesaurus may be one of the most important things The Institute does." And, while still a work-in-progress, this new compendium already has over 75 common industry terms and definitions and is expected to grow. It is currently available on The Institute's member portal and may become open to the general public in the future.

The panel also introduced two additional tools: the **Multiphasic Service Model and the Advisory Business Models Grid and Survey**. Together, these initiatives aim to standardize and illuminate the wealth management landscape, offering both families and firms unprecedented clarity and utility.

The **Multiphasic Service Model** addresses one of the industry's long-standing challenges: the lack of a systematic way to connect a family's evolving needs with appropriate advisory services. The model creates a structured framework to:

- **Identify Needs**: Families and firms can assess and categorize specific needs based on life stages, financial goals or complexities.

- **Match Services:** Service providers can align their offerings to these needs, enabling more targeted and effective advice.

- **Evaluate Outcomes**: The model includes built-in feedback loops that allow families to evaluate whether their service provider relationships deliver on expectations.

This model fills a critical gap in the industry by offering a unified approach to service delivery. It moves wealth management beyond vague promises of "comprehensive" or "holistic" services by defining clear benchmarks and standards for meeting client expectations.

The **Advisory Business Models Grid** and Survey is another innovative tool designed to bring structure to the wealth advisory ecosystem. The grid and survey aim to categorize and cluster firms based on their business models, service scope and specialization areas. Its primary goals include:

- **Clarity for Families:** Families can compare firms using standardized criteria, eliminating the confusion of "apples to oranges" comparisons. Whether selecting a fiduciary, investment specialist or family office advisor, families can better understand what each type of firm offers.

- **Insight for Firms:** By participating in the survey, firms gain insights into their position within the broader landscape. This can inform strategic decisions and highlight opportunities for differentiation.

- **Industry Benchmarking:** The grid and survey provide the industry with a much-needed benchmarking tool, offering data-driven insights into trends, best practices and service evolution.

This initiative reflects The Institute's commitment to creating objective, conflict-free, practical resources for both practitioners and clients. By organizing firms into clear clusters, the grid and survey encourage transparency and facilitate better decision making.

The Benefits of Integration: Lessons and Best Practices from Other Disciplines

A special video segment featured highlights from an insightful conversation between Dr. Amirala Pasha (The Mayo Clinic) and Dr. Jim Grubman (Family Wealth Consulting), exploring parallels between healthcare integration and wealth management services. The session emphasized the importance of integration and collaboration in these fields, with both experts sharing their insights.

Key insights included:

- **Collaboration vs. Integration:** Dr. Pasha described collaboration as more of a situational response to immediate needs, while integration represents an ingrained cultural practice functioning seamlessly. Both systems benefit from the latter's consistency and efficiency.

- **The Role of the Expert Generalist:** Both fields are moving away from the "trusted individual" model towards a "trusted team" approach. The expert generalist, akin to an air traffic controller, plays a vital role in coordinating care or advisory services, ensuring all moving parts align well.

- **Key Attributes for Success:** Successful integration benefits from humility, openness to diverse perspectives and prioritizing client or patient needs over individual opinions. Clear communication and the absence of ego are essential.

- **Multi-generational Relationships:** Long-term, multi-generational relationships are crucial in both healthcare and wealth management. Both the Mayo Clinic's Executive Health section and family office-level advisors prioritize understanding the dynamics and history of the families they serve to deliver comprehensive care and advice across time.

- **Practical Solutions:** Effective collaboration requires practical, actionable solutions that account for local resources and constraints. Integration should involve accessibility, ensuring both proximity and ease of connection with key professionals.

The dialogue underscored the shared challenges and opportunities in healthcare and wealth management, offering a unique perspective on how best practices from one domain could inform and improve the other.

Maximizing Value: Financial Drivers Behind Integrated Wealth Management

The third panel of the day offered a discussion on maximizing value in integrated wealth management and emphasized the critical financial drivers that shape the growth and profitability of wealth management firms, especially during a time when the market is more competitive than ever. Joe Calabrese (Key Bank Wealth Management) and Kevin Casey (Pathstone) outlined key strategies and insights gained from their extensive experiences in the wealth management and family office sectors.

Calabrese emphasized that while the advisory business may seem complex, the key profitability drivers are relatively simple and can be grouped into a few categories. Understanding how integrated services impact these drivers is crucial for firms aiming to boost profitability while managing growth.

Calabrese then described four key profitability drivers based on the Dupont Model for Profitability:

- **Revenue per Client:** The amount of revenue generated per client is a central profitability driver. Expanding services can increase the potential revenue from each client by offering more tailored, high-value solutions. However, firms must carefully evaluate whether the addition of services will generate sufficient profit after considering investments required in new technology, personnel and other resources.

- **Advisor Capacity:** Maximizing the number of clients an advisor can manage is another key factor influencing profitability. Firms need to assess how many clients each advisor can effectively serve. Overloading advisors can hurt service quality and client retention, while too few clients per advisor can reduce profitability. Ensuring a balance between advisor workload and firm resources is vital.
- **Advisor Compensation:** The compensation paid to advisors directly impacts profitability, as it is often one of the largest cost centers for firms. While firms must keep compensation competitive to retain talent, they must also avoid overcompensating advisors relative to the value they bring to the firm. Sustainable compensation models, coupled with optimized advisor capacity, will improve profitability.
- **Overhead Expenses:** Non-advisor-related expenses (such as technology, office space, compliance and administrative costs) must be controlled to maintain profitability. Firms should ideally focus their spending on advisors who generate revenue while minimizing operational costs that don't directly contribute to revenue generation.

Additional takeaways from this informative session included:

- **Firm Profitability and Growth Balance:** Expanding services can drive growth but may impact short-term profitability. A balance must be found between scaling services and maintaining sustainable profitability.

- **Revenue Mix and Retention:** A diversified revenue mix ensures financial stability. As firms expand, retaining clients becomes vital for long-term profitability.

- **Pricing Power:** Strong pricing power allows firms to charge for services separately, increasing revenue. Weak pricing power may necessitate bundling, which could hurt profitability.

- **Risk and Resource Management:** Expanding services brings operational, reputational and regulatory risks. Firms must assess these risks and ensure they have sufficient internal resources or consider outsourcing to maintain quality.

- **Strategic Alignment:** Firms should evaluate their competencies, culture and client needs before expanding services. Growth should align with long-term strategic goals and be balanced with profitability.

The Service Model of the Future

The final panel featured an exceptional group of industry leaders at the forefront of family wealth management: Moderator Richard Joyner (AlTi Tiedemann Global), Tom McCullough (Northwood Family Office), Betsy Erickson (Arabella Advisors), Doris Meister (Wilmington Trust), and Michael Zeuner (WE Family Offices). These experts explored the future of integrated family wealth management and the essential pillars of service delivery, represented by the legs of a four-legged stool: the firm, the advisor, the services offered and the process.

The panelists discussed how firms must address these four key elements to successfully deliver integrated family wealth services:

1. **The Firm:** Firms must evaluate their underlying business model, culture, team structure, compensation models, client fee models, training programs, technology capabilities and overall corporate leadership. Aligning these firm-level factors is crucial to enabling an integrated service delivery model.

2. **The Advisor:** The panel emphasized that the success of integrated wealth management hinges on the advisors themselves. Firms must consider the spectrum of advisor styles, from specialists to fully integrated generalists. Developing advisors with the right skills, knowledge and mindset to work

in a collaborative, client-centric manner is essential.

3. **The Services:** A key decision for firms is how to package and price the various services provided to their clients. This includes determining whether to offer bundled pricing versus an à la carte approach, ensuring that service offerings meet their clients' holistic needs.

4. **The Process:** Underpinning the integrated wealth management model are the workflows, communication channels and collaboration mechanisms that enable seamless service delivery. Firms must invest in the processes and technology to facilitate integration among the different advisory functions.

Not every firm must aspire to be an integrated advisor; after all, the industry benefits from specialist advisors. However, everyone benefits from knowing how to collaborate both within the firm and beyond to third-party providers when needed.

By addressing each of these four interdependent elements, wealth management firms can position themselves to successfully implement and sustain an integrated approach to serving their clients' complex financial and personal needs.

The panelists also underscored the importance of training, consistency and collaboration in adapting to ultra-high-net-worth families' evolving needs. They also discussed how firms can restructure teams and services to meet clients' expectations across the Ten Domains.
A key takeaway was the need for a future-ready service model defined by:

- **Integrated Solutions:** Delivering holistic services that address every aspect of a family's wealth.

- **Dynamic Collaboration:** Creating a "teamwork-first" culture where advisors, families and external experts work seamlessly together.

- **Proactive Adaptability:** Continuously monitoring and adjusting strategies to align with changes in family dynamics or market conditions.

Insights from previous panels and outside sources like McKinsey underscored a growing demand for holistic advice, with nearly half of surveyed clients preferring integrated approaches.

Lessons from other industries, such as the Mayo Clinic model, were highlighted by the panelists to stress the importance of prioritizing client needs and fostering seamless collaboration. The panelists also commented that the lack of a designated integrator often leaves clients burdened with connecting disparate services, a role most clients are not equipped to handle effectively.

The session concluded with the observation that integration is more than collaboration—it's a mindset that ensures a unified, client-centered approach that addresses the evolving expectations and complexities of today's wealth management landscape.

Case Study

The Spencer Family

The 2024 Symposium also featured a comprehensive case study by Tom McCullough (Northwood Family Office) that offered a real-life glimpse into the transformative power of integrated family wealth management for both clients and wealth management professionals.

The "Spencer Family" – an anonymized version of a real Northwood Family Offices' client for nearly 22 years – consists of four brothers and their families. Their wealth journey began in 2003 after selling their business for $100 million CDN. Over the years, their story has exemplified the profound impact a comprehensive, integrated approach to wealth management can have across four critical domains: investment management, tax optimization, estate planning and philanthropy.

Tom McCullough and his team have helped the Spencer family navigate a wide range of challenges, including cross-border complexities, market fluctuations and shifting family dynamics. By addressing both their financial objectives and long-term legacy goals, Northwood Family Office has provided a seamless approach to managing the family's wealth. Central to this success has been a culture of collaboration, engaging a network of external partners to ensure optimal service delivery.

The Spencers' story underscores the value of a comprehensive framework, which can be described as the "four-legged stool" of family wealth advising. It also illustrates some of the significant challenges wealthy families face, such as managing diverse assets, coordinating multiple advisors and addressing generational and personal complexities. It highlights how models like The Institute's Multiphasic Service Model enable firms to connect the dots across various domains, providing exceptional value to clients while meeting their evolving needs.

A critical takeaway was the importance of an integrated wealth management approach that delivers cohesive solutions tailored to clients' holistic needs – much like a CEO managing a complex business. McCullough concluded, "We know and are involved in the entire picture, so anytime anything comes up, we're thinking about all the other questions... It's about an integrated approach to every discussion."

Looking Forward

The 2024 Symposium highlighted the critical need for a forward-thinking service model to address the evolving needs of ultra-high-net-worth families. Tools like The Institute's Wealthesaurus™, Multiphasic Service Model and Advisory Business Models Grid, and the four-legged stool of integrated wealth management form the foundation of this future framework.

As families evolve and their wealth management needs become increasingly complex, more firms may choose to embrace integrated, family-centered approaches. The Institute will continue to develop tools and programming designed to help these firms accomplish this goal while supporting all business models that choose to focus on collaboration or integration to be successful.