

Not by chance

How to choose a wealth management adviser for your unique needs **Interviewed by Arthur G. Sharp**

Building, preserving and expanding sizeable financial portfolios is something that educated investors should not leave to chance. Rather, they should rely on qualified wealth management advisers to guide them through the process — and choosing the right wealth management firm should not be left to chance either.

Ideally, the wealth management advisers selected should be on the same side of the table as their clients, and should be selected with a great deal of due diligence. After all, choosing the right financial course is one of the most crucial decisions investors can make during their lifetimes.

Smart Business talked with Christopher Bart, a managing director and principal with Aurum Wealth Management Group, about the significance to an investor of selecting a wealth management firm and how to formulate a specific investment policy statement that is a roadmap to achieving a client's financial aspirations.

Who should be concerned with wealth management?

Theoretically, everyone who has assets should be concerned with protecting and growing them in a prudent manner. There comes a time, though, when portfolios outgrow their owner's abilities to manage them by themselves. So individuals who have a complex or unique situation — for instance, someone who has a concentrated stock position, has sold a business or has experienced another life-changing event — should be particularly concerned with wealth management in general. Individuals who are in any of those positions should consider working with a wealth management adviser rather than a professional money manager.

How does a wealth management adviser differ from a professional money manager?

Wealth management advisers oversee a client's complete portfolio of investable assets. As a part of their overall investment strategy, wealth management advisers will often hire professional money managers to manage a portion of a client's wealth. The



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money managers are responsible for the day-to-day management of a client's investments, while the wealth adviser is responsible for the selection and management of the money managers.

Is there a monetary figure at which clients should consider working with wealth management advisers?

Every individual's net worth is different, but clients should consider investing their assets with a selection of professional portfolio managers. Each manager has its own investment minimums, and to achieve the desired results, a client's assets need to be spread out among multiple money managers. Therefore, to properly execute a wealth management strategy, a client will often need a minimum of \$500,000 in investable assets.

What should clients look for when selecting a wealth management firm?

The most important thing to look for is a wealth management firm that follows some type of disciplined process so that clients have a clear understanding of how their assets will be managed.

Clients should be looking for personal-

ized service, a tailored investment approach, and portfolio transparency and flexibility. Clients should find an adviser who does not have a hidden agenda or who wants to push his firm's proprietary products. Rather, they should look for advisers who are sitting on the same side of the table as they are, acting as advocates for their wealth.

What would a disciplined investment process entail?

The ideal process can be broken down into three easy steps.

First is the discovery phase, in which the adviser helps the client establish his or her goals and objectives. That involves factors like the client's time horizon, risk tolerance, return expectations and cash flow needs. The answers to those questions will allow the adviser to develop an investment policy statement and a suitable asset allocation.

The next stage is to determine the best qualified money managers to manage the unique assets. This is the phase in which wealth management firms should add value. It involves an extensive process to screen and select the specific professional portfolio managers. Quantitative and qualitative checks and balances in this part of the process make sure the professional managers chosen are credible. For instance, there must be continuity in the manager's employment and consistency in his performance. A 50 percent increase in a portfolio one year that is given back the next is neither consistent nor beneficial to an investor.

The final part is ongoing oversight of the portfolio's performance. This involves analyzing returns, measuring the volatility of the overall portfolio, evaluating the portfolio managers' performance by comparing it against peers and respective benchmarks, and monitoring overall asset allocation. All these steps are important, and can be accomplished best if advisers and clients work closely together.

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