

## WEALTH MANAGEMENT

# TAKING THE VEIL OFF ULTRA-WEALTH STEALTH

A group of cashed-out executives channel their disappointment in mega-money counseling into a solution private bankers can use for a rich client's query: How much am I worth?

BY GLEN FEST

It's a nice problem to have, but it's still a problem.

The growing diversity of investments made by ultra-rich clients of private banks and top brokerages leave these Daddy Warbucks unsure of what they're worth at any given time. The fluctuating values of hedge funds, partnerships or private art collections can be a major worry for the investor trying to stake out positions in his or her \$25 million to \$100 million portfolio. The wealth advisor also feels the pressure, since he's getting paid handsomely to paint the full picture of client holdings for both the patron and the institution, depending on the "alpha advisor" revenue stream that is replacing dwindling money management and custodial fees.

"It's something of a Holy Grail," says Bill Doyle, Forrester Research vp and wealth management analyst. "We do hear from the private banks a bunch, that they feel compelled to provide their clients with a comprehensive view. ... But it's not something that's done easily or been automated by anybody."

To appreciate the challenge, consider a seemingly simple aggregation task of accumulating client transactions, says Christopher Snyder, president and co-founder of Private Client Resources, a five-year-old Connecticut-based seller of statistical products to high-wealth advisors, individuals and institutional investors. "Smith Barney will call something a buy; somebody else will call it a purchase," says Snyder. "We have to look at the transaction code structure of every custodian, every record keeper, every hedge fund and every private partnership and map that into a [format] that allows the advisor and the client to see what they're worth from the top down. It's very tough."

PCR recently landed its first major institu-

tional customer when Chicago-based Northern Trust signed on for PCR's Insight, a browser-based service that updates client positions through data acquired from spidering hundreds of disparate sources of the client's data. Northern Trust's individual and family wealth-management clients, which include 300 of the world's richest families, began receiving daily views of asset performance in January.

"There's clearly increasing sophistication among investment products our clients are using," says David Bailey, svp and technology consultant for Northern wealth management. "We are able to manage many of those types of products internally on existing accounting platforms...but if you really want to provide a deeper level of information, then you simply look for a higher level of automation of capturing what I describe as those held-away assets."

What constitutes a "held-away" holding? Take boat marinas, says Snyder. "We have to have a price-log system that allows us to notify the advisor how that marina is to be priced, how often it is to be priced, and who's supposed to do it," he says. The same goes for wine collections, goat farms and even patented intellectual property.

Northern clients will also have another key PCR feature soon that has long been missing from many ultra-wealthy advisory programs, according to Snyder: true peer comparison.

"As the database grows, we will be able to furnish advisors with peer-group benchmarks, so they can provide evidence-based advice," says Snyder. The benchmarks, Snyder believes, could fill a knowledge gap of high-wealth household allocation that currently delves little beyond Forbes listings and questionnaire findings. "The

wealthy don't fill out surveys," quips Snyder.

He should know. Snyder landed in the high-net category a decade ago when he sold Loan Pricing Corp. to Reuters for \$50 million. After throwing away his necktie, Snyder hit Wall Street for advice that he soon found "depressingly similar: 'Put 40 percent in bonds, 60 percent stock...and we've got some great products for you.' What I really wanted to ask was: 'Tell me what other people like me do.'"

Snyder formed PCR with retired McGraw-Hill CEO Joseph Dionne and investment seed money from other former executives, including former Goldman Sachs CFO Robert Friedman, who also struggled with how to view complex individual holdings. Snyder says these former industry leaders saw the shortcomings through comparison to corporate ledgers. "One of our investors said to me, 'I want to run my wealth the way I ran my company,'" he says. "Every chief executive has three questions: First is: Where am I?; second is: How am I doing?; third is: What are my risks and dependencies?"

PCR will expand to, at most, three institutions this year, because of the volume of data it must crunch with a small staff of 35. The service is not aimed at the mass affluent audience, in which diversity needs are less stratified and self-research is the norm.

"There aren't a lot of players" in high-net-worth private banking that PCR or other specialized data companies can target, says Doyle, pointing to JPMorganChase, Goldman Sachs, Citibank and UBS. "But it's a lucrative business, where there are those willing to pay for these solutions." ■