FAMILY WEALTH REPORT
North American Family Office Intelligence

The Thin Line Between Advisor and Therapist

Amy Aubre Castoro, September 24, 2019

What is the dividing line between advising a client and offering what amounts to therapy? In many situations, the boundaries aren't easy to identify.

Strong emotions often arise when clients discuss money with their families. Advisors who avoid those sometimes volatile situations are putting their clients at risk of losing their family wealth. Here are suggestions for navigating that thin line between advisor and therapist. The following article is by Amy Aubre Castoro, president and CEO of The Williams Group. The business works with families and advisors over areas such as estate plans.

The editors are pleased to share these insights and invite readers' responses. We do not necessarily endorse all views of guest writers. Email tom.burroughes@wealthbriefing.com or jackie.bennion@clearviewpublishing.com

Mr McCollough, a successful business owner for decades, was becoming forgetful, but he wouldn't admit it. His family was concerned because he was making uncharacteristic decisions and acting in a paranoid manner. Family conversations were getting increasingly awkward and contentious, and conflicting approaches were emerging.

Mr McCollough's financial advisor was Matt Brown, a partner with Brown and Streza. Brown described Mr McCollough as "a highly successful business owner who lacked executive function but was brilliant." Brown says, "He could trick you. While he could not translate information into an effective decision, he could use his knowledge of trivia as a diversion. I could ask him a straightforward question about his health, and he would respond with, 'These doctors are quacks.

Let me tell you about a story…' and then quote a factual story about how a particular doctor ran amok."

Brown knew he couldn't get to the estate planning issues until he helped the family resolve the emotional issues related to their situation. He had to straddle that thin line between being an advisor and therapist - a role that most financial advisors encounter eventually.

As professional advisors, we are trained to assess clients' financial situations from an analytical perspective. We lean on the truth of numbers and financial modeling. But often, before we can provide our clients with an ironclad estate plan or expertly managed assets, we must help them establish harmony within the family itself.

Avoiding discord can be costly
Some advisors steer clear of family discord. They don't want to risk offending a client by initiating or moderating uncomfortable conversations that arise during discussions about money.

Avoiding the family side of the asset equation can land a family squarely among the estimated 70 per cent of wealth transitions that fail. When personality conflicts, entitlement issues and disagreements become insurmountable, families can lose assets and experience irreparable family discord. The cost to the advisor includes the missed opportunity to retain the business of the next generation, loss of assets under management due to redistribution to attorneys and a personal sense of failure of having let the client down.

It's important to learn how to address these situations. Even if you bring in a neutral third party who specializes in helping families work through these disagreements, you will have helped your clients solve important issues that they likely can't solve on their own.

Know your limits
Randy Kaufman, senior vice president at EMM Wealth, is quite familiar with the thin line between being an advisor and a therapist. She brings in a family wealth coach when the emotions surrounding a family's financial situation become secondary to the finances themselves. She knows her limits.

"Understanding the fine line of when to bring in the therapist is life changing for my clients - and the difference between success or failure," she says. Kaufman's perspective changed after she read a 2016 Vanguard study titled *Putting a Value on Your Value: Quantifying Vanguard Advisor's Alpha*®. Vanguard is the largest provider of mutual funds in the world. In that study, the company revealed that paying a fee for advice and guidance to a professional who uses effective tools and tactics based on industry knowledge can add meaningful value - potentially "about 3 per cent" in net returns - by using their framework.

The report helped Kaufman see that, as a financial advisor, just beating the markets doesn't matter. "Three-quarters of the value added is my behavior as a coach," she says.

Kaufman takes pride in being bold with her clients and telling them what she is observing. "I have clients who love me because I will give them the needed advice, not what they want to hear," she explains. "When I see a spending addiction, for example, I'll say, 'I'm observing this behavior. I could be wrong, but let me refer you to someone who can help you move forward.'"

So how does Kaufman know she has crossed the line from advisor to therapist? "When I feel like I'm in quicksand, sinking fast, and need to extricate myself," she says. Her viewpoint is, "This is over my pay grade and time. Let's bring in an expert to do the family therapy, and we can focus on our value as estate professionals."

One family she worked with experienced issues once the dad's health began declining. When the mom took over, the adult children and spouses were bleeding her dry. Kaufman brought in a family wealth coach to address the family issues head-on. It helped the family avoid bankrupting their estate.

Engaging in family dynamics requires diplomacy
Engaging the softer side of family relationships is a risk that needs to be managed skillfully, according to Jeffrey Verdon, managing partner of Jeffrey M Verdon Law Group, LLP.

Verdon says, "Affluent families rarely have the conversations about what is expected of them as heirs to the family legacy. They are flying blind, not really sure what the expectations of them are or what they should be doing. If I push a family into a direction they don't want to go, they may not be willing to work with us." The sudden loss of the patriarch can throw the family members into a sustained disruption with devastating consequences.

As Verdon begins the planning process for clients, family issues always arise. He often gets pushback when he suggests that adult children get involved. "Parents don't want the kids to know they are rich, which is a funny phenomenon because the kids already know that," he says. "I feel like a therapist at times. Lack of communication with the adult children will only exacerbate the problems when Gen 1 dies. The lack of communication with Gen 2 will likely lead to problems and confusion. Gen 1 should go through the process of indoctrinating Gen 2 to the responsibilities of heirship."

When Verdon sees a family refusing to address relationships head-on, it is a warning sign that there will be a bigger problem down the line.

The value of a neutral, third-party coach
In our book *Bridging Generations: Transitioning Family Wealth and Values for a Sustainable Legacy,* we provide a 10-question checklist that measures family members' readiness for wealth transition, along with instructions on how to score the checklist. We recommend that families use this checklist to measure their progress annually.

Verdon uses this checklist with his clients, too. His approach is to urge the softer conversations once the estate planning has been done. At that point, he finds it easier to inquire a bit further because a relationship has been built, and the issues typically surface through the planning process. "When we wrap the engagement, the work is done and the documents are signed, we will give the family a link to the ten-question quiz to assess family readiness and suggest that they consider investing the money to work with a family coaching organization to see the results."

With any service you pay for, whether business or personal, you have to weigh the cost of hiring the outside expert against the benefit you get from doing so. This is true when you hire someone to clean your home, do your landscaping, manage your investments or help you plan the transition of your wealth to the next generation.

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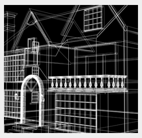

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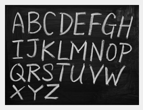

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