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Best Practices for High Net Worth Advisors

By Stephen Colella, CPA

When it comes to high net worth (HNW) individuals and family groups, many clients have trusted advisors on whom they rely for various matters. From attorneys and investment advisors to CPAs, each advisor brings his/her insight, knowledge and expertise to the table. On occasion, projects arise where areas of expertise overlap and advisors work together as a team. At DGC, we recognize some internal best practices which help to maximize efficiency and effectiveness for everyone involved.

Designate a Team Leader

It goes without saying that communication is most important when collaborating as a team. One of two things can happen if clear direction is not provided: 1) either no one performs a specific task or 2) more than one person ends up doing it. This can be avoided through proper division of labor.

When a team of advisors is called upon to work together on a particular project, it helps to designate a team leader. Generally, the advisor who is closest to the client and most familiar with their goals takes responsibility for managing the project and providing the client with progress reports. In other words, someone is responsible for "leading the charge". Subsequently, each team member assumes specific tasks based on his/her respective area of expertise.

At DGC, our high net worth group regularly works with attorneys, wealth managers and insurance advisors on behalf of our clients. As the CPA on a team, we prepare tax returns and provide accounting services, but we also provide specialized tax advice. For instance, the attorney may draft an estate plan or the wealth manager may recommend changes to the portfolio, then we make recommendations based on the tax implications of those actions. This is when a CPA who is well-versed on the sophisticated tax issues associated with significant wealth can bring the most value to the table.

Develop a Strategy

Next, the team should develop a strategy to achieve their common objective. Under ordinary circumstances, each advisor will simply go about working on the tasks related to his/her area of expertise. Once everyone's task is complete, the team gets together and arrives at a consensus related to the matter at hand.

There may be times, however, when an issue is quite complex or there is substantial risk involved. In this case, advisors may work in tandem, where one advisor does the research and summarizes their findings while another reviews the research and findings. This approach adds assurances that the advice is correct and allows the client to act on a particular matter with a greater level of confidence.

Another scenario may involve a highly specialized issue. In this instance, it may be prudent to bring in an "outside" consultant who has a specific expertise. For example, a client may be going through a divorce or is considering buying an airplane. If the current advisors do not specialize in this area, they may want to consider adding a divorce attorney or an aviation lawyer to the team. Their role may be temporary, or they may remain on the team if it is determined that the client will need their advice on a continuous basis.

Work Efficiently

To help minimize the expense to the client, it is important for timelines to be established so that everyone is able to plan his/her time accordingly. More importantly, it allows the client ample time to consider advice and/or review documents. Clients should also be mindful that they can help to control costs by adhering to established timelines and being responsive to requests.

When it comes to tackling a joint project for a high net worth client, DGC follows these best practices to help manage expectations and fees. We believe that a good team player is one who understands his/her role, communicates effectively, and “plays well with others”. For us, the ultimate goal is to maximize value for the client by leveraging the expertise a high-level group of talented advisors can deliver.

Steve is a principal in the firm’s tax department. He specializes in advising clients, client representatives and family office groups on tax matters related to high net worth individuals and their various entities.