Handle Ultra High Net Worth Clients With Care - Experts
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If the ultra-high net worth market was a newly purchased product, the package would probably come with a warning: “Handle With Care.”

Especially these days.

Understanding client psychology and behavioral finance have become increasingly important when dealing with ultra high net worth clients, loosely defined as individuals or families with at least $20 million in investable assets, say industry experts.

“Everything has changed since the downturn,” said **Richard Weylman**, a marketing consultant specializing in the UHNW market. “Things that used to work don't. Competency isn't enough. Now advisors and wealth managers need to show both chemistry and competency. There has to be proactive engagement with scheduled contacts that include education and information. And the conversation can't just be economic; financial advisors have to convey emotional security as well.”

“Behavioral finance has become one of the biggest challenges when working with the ultra high net worth client,” said Lindsey Brace Martinez, director of global client services and relations for Cambridge Associates. “They usually have a bias that reflects their one core competency that enabled them to become wealthy, such as in real estate. The challenge is to bring them along in terms of thinking about risk more broadly.”

Indeed, the always fine line between risk exposure and safety has become more challenging than ever for private bankers and wealth mangers for with ultra-wealthy clients.

“What I'm hearing from this group is fear that the economy has not really turned the corner,” said Matt Miller, chief research officer at Wealth-X, an information services company specializing in the ultra high net worth market. “Their perspective has gone from growth to wealth preservation.”

Peter Charrington, chief executive of Citi Private Bank North America, which targets clients with a net worth of at least $25 million, agreed.

“Preservation of capital has become a primary concern,” Charrington told this publication. “The volatility of the markets clearly hasn't gone away, and the mantra has become ensuring that portfolios are positioned correctly.”

Yet for all their concerns about safety, people who have $20 million or more to invest are not likely to be entirely risk averse.

In fact, “missing investment opportunities” was the primary concern of private clients and family offices with a median asset size of $150 million surveyed last fall by Cambridge Associates. And at the end of the year, hedge funds turned out to be the asset class where the firm's private clients had their largest mean allocation.

Citi Private Bank is “looking ahead” at investing opportunities, particularly in distressed areas such as real estate, Charrington said.

“We see clients gearing up, but not pulling the trigger yet,” he said.

This tentative attitude is prevalent among ultra high net worth clients, experts say, and wealth managers need to be more sensitive than ever when working with them.

“Wealth advisors really have to listen now,” Miller said. “You have to be willing to put the client's money where they want it to go, not necessarily where the firms' economists think it should go.”

“Your elevator speech can't be about product,” cautioned Weylman, who also runs *The Weylman Center for Excellence in Practice Management*™. “It has to address the client – or prospective client's goals, passions and aspirations on a much deeper level.”

Advisors also need to be aware that different generations of a wealthy family are going to have ‘very different points of view” on investing, especially in difficult times, Martinez said.

“Investing has become more emotional,” she said, “and advisors need to understand those reactions from a generational point of view.”

The good news for wealth managers is that opportunities to grab market share in the ultra high net worth market still exist.

A recent Charles Schwab report for advisors considering setting up a multi-family office, Serving Ultra-Wealthy Families described the ultra wealthy as a “growing market.”

“The ranks of the ultra wealthy are growing quickly even with the downturn of the market,” the reports said. “The ultra-affluent - those with fortunes of more than $30 million - comprise only 0.9 per cent of the population, but account for 35 per cent of its wealth.”

And specific social, business or philanthropic affinity groups for ultra high net worth clients also represent prime opportunities to grab market share, according to Weylman.

“If they see you as a resource to people like them, you will be welcomed,” he said.