Forbes

Charles Schwab AdvisorVoice

Finding the right advisor for your financial future.

What is this?

INVESTING 12/05/2016 @ 2:14PM | 16,156 views

5 Things Financial Advisors Can Do For High Net Worth Investors And Wealthy Families

Charles Schwab Advisor Contributor , Charles Schwab Advisor

By Richard Sine

For the affluent, it's often a shock to the system that can lead them to finally hire a financial advisor.

Whether it's an illness or disability, a big financial request from a parent or child, or some other major life change, "It's something that makes them stop and say, 'This is really getting beyond me,'" said Greg Sullivan, president and CEO of Sullivan Bruyette Speros & Blayney, an advisory firm in McLean, Virginia.

That's a frustrating reality for financial advisors, who would prefer to begin working with wealthy clients proactively. For people with substantial assets and complex financial lives, even the most intensive (and therefore expensive) financial guidance could pay off many times over, simply because so much wealth is at stake.

There are different types of financial advisors who specialize in helping clients plan for and achieve different financial goals. However, not all of these advisors are fiduciaries — or advisors who are legally required to act in their clients' best interests. We asked two seasoned independent Registered Investment Advisors (RIAs), Sullivan and Damon White, co-founder of Evermay Wealth Management in Arlington, Virginia, to discuss why wealthy clients should get help before they absolutely need it.

1. **Advisors can help you know what you can afford.**

According to White, even the wealthiest clients must stay within their means to reach their long-term financial goals, needs or desires.

Can you retire next year and still have money left over for a favorite charity? Can you go work for a nonprofit and still put your grandchildren through college? Can you really afford a new Tesla or a beachfront property?

Besides consulting on big financial decisions, White can view his clients' investment accounts to determine if big withdrawals will jeopardize their financial plans.

"We have the experience, the math and the empirical evidence to put things in an objective light," White said. "We can say, 'At the rate you're spending, if the past is any indication there's a more than 80 percent likelihood you will run out of money.'"

2. **Advisors can save you big on taxes.**

Most wealthy people can pay a lot in taxes, simply because they're in a high tax bracket. And their tax situations can be complicated: Often the bulk of their income can come not from wages but from other sources, such as stock options, business profits, bonuses or investment returns that can rise or fall substantially from year to year. Decisions about when and how to buy, sell or account for these assets can make a big difference in their tax obligations.

For example, Sullivan helps his retired clients choose which accounts to tap for their monthly expenses. Clients can save thousands each year if they choose to withdraw from the right mix of taxable brokerage account funds, tax-deferred retirement plan funds or other accounts.

"There's not always one answer, and it's not a simple answer," Sullivan said. "It depends on your income needs, the size of your assets and the size of your investment gains."

3. **Advisors can point out the risks in alternative investments.**

The wealthy have more investment options than the Average Joe, because alternative investments such as hedge funds, private equity and other so-called "exotic" investments require high initial contributions. The goal of most of these investments is to beat the average stock or bond fund or to reduce portfolio volatility. But they are typically less transparent and less liquid than funds or ETFs.

Exotic investments like these should be selected carefully, and may be appropriate only for certain clients.

"Investors get lured by the opportunity and miss the risk," Sullivan said. "We've read the documents and evaluated these kinds of investments hundreds of times, and often our client has never heard of it before."

There's another way that advisors can save their wealthy clients from themselves: Like all investors, the wealthy may be tempted to panic and sell when the market tanks. Advisors will help you choose an investment allocation that can calm your fears. They can also help you weigh your options, if you are tempted to sell.

4. **Advisors can remind you of "known unknowns."**

Financial advisors aim to preserve your wealth as well as grow it. That means focusing on potential downsides that are often not top of mind: losing your job, getting a divorce, incurring a stock market loss or being hit up by a needy relative.

For example, a guest at the second home of one of Sullivan's clients was hurt when the deck collapsed. The guest escaped serious injury, but the client incurred a six-figure legal expense. Fortunately, Sullivan had advised him to get umbrella liability insurance, which protects against such claims.

5. **Advisors can act as your financial quarterback.**

Like many independent Registered Investment Advisors, White has built a network of trusted professionals — accountants, insurance agents, business attorneys, business valuation experts and the like. As the pro who knows the most about his clients' finances, he is well positioned to act as point person.

"We pride ourselves on being the financial quarterback for our clients," White said. "We have relationships with experts we can pull in to address their broad spectrum of needs."

Richard Sine writes about business and personal finance from Washington, D.C.

The named advisory firms ("Advisors") custody some or all of their assets with Charles Schwab & Co., Inc. ("Schwab"). The Advisors are independent and not affiliated with Schwab, and their personnel are not employees or agents of Schwab. This is not a referral to, endorsement or recommendation of, or testimonial for the Advisors with respect to their investment advisory or other services. TRG (1216-R3SV)

Schwab Advisor Services serves independent investment advisors and includes the custody, trading and support services of Charles Schwab & Co., Inc. Member SIPC.