

Client Relationships and Family Dynamics: Proposed Competencies and Services for Truly Integrated Wealth Management¹

by James Grubman PhD and Dennis T. Jaffe, PhD²

One of the most critical decisions a family can make is who to entrust with management of the financial resources needed for current and future generations. This choice is not entirely a rational financial decision. It is also about who can best take care of the family in a personal sense. Families turn to wealth managers not just to oversee their money but for skilled guidance about how best to use wealth, handle relationships within the family, plan for children's and grandchildren's futures, and deal with succession and family leadership. Asking these questions may confuse or scare off advisors whose primary skills are financial, not emotional or interpersonal. These questions may also be labeled "not our business" by the firms employing those advisors. Yet serving a family's broader needs is a critical process that not only optimizes the use of wealth within a family, it is the mark of the truly comprehensive and integrated wealth management firm. Increasingly, both the front-line wealth advisor and the wealth management firm must know how to help families in these crucial areas in order to be granted the privilege of managing family wealth across generations.

The intersection of financial decisions and the dynamics of the family system is a tangled web. Families face practical questions such as whether to have shared versus split assets, whether to include in-laws in family meetings or governance, or whether trust provisions should be generous or strict, based on the values and history of current and past generations. The family, in turn, is made of personal relationships influenced by gender, birth order, and parent/child relationships as each new generation comes of age. For a family, money has multiple emotional meanings that complicate and underlie financial decisions about who will have it and control it. Since each of these issues strongly influences the family's management of its wealth across generations (Gray [2006], [2008]) the financial professional must inevitably understand and know how to work with these factors.

To Be or Not to Be Involved with Family Dynamics

Although some attention to family dynamics has long been considered a natural element of the client relationship, the past decade has seen a marked increase in differentiated services delivered by either external consultation or in-house resources. These may be implemented by a firm to reinforce the holistic nature of their wealth management and the front-line advisors' capability to help clients. Because of client demand and the increasing need to differentiate one's business in the marketplace, some financial institutions consider these services to be a mark of competitive distinction for their firm.

Not only does this benefit families, it can also benefit the bottom line. Just as medical practices recognized as patient-friendly, empathic and behaviorally adept are most successful in patient satisfaction and retention, financial firms may be most successful when family dynamics are a core value for clients, a commitment when recruiting advisors, and a continuing part of training and consultation to enhance staff skills. Client-relationship skills are especially important in the prospecting process where clients first experience the culture of a firm. In our experience, clients often report immediately seeing the differences between firms that pull out

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² James Grubman can be reached at jim@jamesgrubman.com, and Dennis Jaffe at djaffe@saybrook.edu

the pitch book to talk only about what they have to offer, compared to firms who first sit down to learn about the history of the family's wealth and its goals for the future. Enhanced client-relationship and -communication skills pay off very directly in new prospects, leading to immediate returns and greater assets under management.

A related benefit is client retention. Wealth transfers across generations are a point of vulnerability for firms; families tend to seek new advisors when a new generation takes over. Attention to relationship dynamics may increase client satisfaction and loyalty, increasing the chances the family will remain with an institution when asset ownership passes to the next generation.

At the same time, the recent financial earthquake has led firms and families to refocus on fiscal concerns at all levels. Assets under management have shrunk, bringing down revenue for firms and optimism for clients. In a Family Office Exchange (FOX) survey of clients before the financial shift, family dynamics factors made up the three most important risk factors affecting wealth (Family Office Exchange [2006]). A late-2008 multi-family office survey report by the Family Wealth Alliance (2008) listed family meeting services and family education as two of the top three services most requested by MFO client families. However, very recent surveys of families and wealth managers by FOX (2009) and Merrill Lynch/Cap Gemini (2009) reveal a return to risk management, investment performance, and financial conservatism as the most pressing concerns, though industry conferences have lately begun to indicate family issues are once again making an ascendance (Campden Conferences [2009]). Family dynamics services and issues may seem as if they have been placed on the back burner, though the need to address them remains critically significant. As markets recover, firms will need to evaluate carefully whether and how to resume offering these services. Understanding the key elements of integrated family dynamics services is crucial to maximize their efficient delivery within wealth management.

Beyond the business aspects, there are thorny practical issues in choices by the front-line relationship manager (RM), at the interface with the client, and their firms to get involved in family dynamics. Providing family-oriented services is not just emotionally complicated. It may place wealth managers in situations of conflict within families and their own financial institutions. The first question is, who is the client? When the client is a single individual or the account agreement specifically identifies one person's needs as paramount, things are simple. Often, though, RMs relate to multiple members and generations in a single client relationship with very different needs for service. The natural growth and differentiation of families over time means the family will rarely be a single entity with a single will; its financial needs will come up against several, sometimes divergent voices in the family. At the same time, explicit or implicit demands by a wealth creator or family patriarch to occupy the number one spot in the client relationship can require wealth managers not to reach out to other (often younger) family members or help the family discuss their wealth. The RM or the firm may also have a deep, personal relationship with the elder generation, including a strong self-interest to maintain the client account. In the short run this may work well, but in the long run the wealth manager can be seen negatively by the younger generation because of this alliance, setting the stage for abandonment of the relationship at the first opportunity.

Philosophical, legal, and professional issues exist as well. Nearly twenty years ago, Marcus (1992) described the role of the professional family wealth manager as having three qualities—disinterest, stewardship and rationality. In this model, the professional financial manager, as a fiduciary, is expected to work in a realm beyond personal family relationships, offering principled advice, service and administration. Some industry experts continue to caution about the perceived tension between the objective disinterested fiduciary model and a more engaged and personal role for the modern RM. Lowenhaupt (2007), for example, articulates cogently the need to remember that not all family members wish to preserve strong family connections based on wealth or governance. Pushing families into creating governance documents, structures, and activities in the name of best practices can risk complicating the family's life and creating inconsistencies between fiduciary-level (e.g., trust provisions) and system-level (e.g., family constitution) imperatives.

We prefer to point out that each model has its risks and benefits. Neither an overly-arm's-length *rational* approach nor a well-meaning but enmeshed *personal* approach will serve a client well. A better model is to see the complexity of wealth management not as a push-pull tension but as a balancing act, constantly adjusted with thoughtful skill, ethical intent, and mindfulness to both the benefits and risks of a family systems approach. Balancing the responsibilities, competing demands, boundary conflicts, and ethical dilemmas are all part of the modern skill set for good relationship management.

To help define the core set of family-dynamics skills and services needed now and for the future, this paper explores how high-end wealth advisors and their firms can integrate personal and family dynamics into their practice, acting as responsible professionals when they encounter the emotional and relationship dimensions of family wealth. We will explain how, at its best, the term *wealth manager* denotes both an individual and a collective: the family's primary relationship manager and the firm he or she is embedded within. We will delineate what we consider to be the core competencies of best-practice RMs as well as the types of services RMs and firms should be able to provide at the individual and family-level for clients. In addition, we will outline our recommendations for how these core competencies and services can be trained at the RM level and implemented at the firm level, acting in concert effectively for the benefit of client families.

Part I: The Relationship Manager As The “General Practitioner” for Family Dynamics

The term relationship manager (RM) refers to a financial generalist who responds directly to a family's many members, concerns, and goals while linking this relationship to the financial institution managing the family's wealth-related activities. The RM is called upon to help the family assess their needs, problem-solve and develop strategies, implement strategies, and evaluate the effectiveness of these activities over time. A great RM is the classic all-position player (Mack, 2009), while being, as Scott Budge (2008) notes, a combination priest, psychologist, and coach. Necessary skills include the wide range of technical abilities an RM needs to have, from trust administration and estate planning to tax planning, regulatory compliance, custody management, financial planning, risk management, portfolio management, philanthropy, family governance, conflict management and fiduciary responsibilities, to name but a few (Family Wealth Alliance [2009]).

RMs need a general grounding in understanding their role as both technical and facilitative. Family wealth management is not just a service profession, offering technical solutions to clients' problems. It is a helping profession, relieving the distress of families encountering the dilemmas of wealth. This requires a delicate balance between acting as *expert* consultants—who operate by telling the family what they can or should do—and *process* consultants who help the family develop and implement their own solutions. Process consultation demands more hands-on skill, yet in the long run it helps the family craft better solutions and avoids some of the pitfalls of problem-solving by the expert (see Bork et al [1996] and Hilbert-Davis and Dyer [2003] for fuller explication of this distinction in family business consulting).

Jay Hughes (2007) has identified this role as similar to that of the *personne d'confiance*, that special trusted advisor to the family elders who traditionally could be called upon for almost anything. The comparable role in healthcare is that of the general practitioner physician who is at once the first line of service, the one who best knows the patient and the patient's family, the keeper of knowledge across time and situation, the point of triage to call upon specialty professionals, and even at times the gatekeeper who limits inappropriate or indiscriminate access to expensive or unnecessary services. All of these functions are applicable to the RM role.

Our concept of the client-centered, integrated role of the RM is consistent with that described by Scott Budge in his visionary book, *The New Financial Advisor* (2008). Budge lays out the framework for a psychologically-minded RM with good communication skills and strong client orientation, embedded in a financial firm

which supports the service delivery in an efficient and effective manner. He points out that, although the RM is neither seen as a psychologist nor should be expected to truly act like one, the RM is in the advantageous position of being able to see potential issues arise before they erupt into full family conflict. The RM therefore has the opportunity to act pro-actively and preventively to anticipate family conflict. This often includes the role of client advocate within and outside the family, helping to protect the client from the many pressures and enticements the family may experience from outside financial service advisors as well as “well-meaning” friends and extended family (Thompson [2009]).

Personal qualities of warmth, psychological awareness, understanding of family issues, and a willingness to work with multiple generations as a trusted advisor are paramount. These traits are remarkably consistent with healthcare research about the qualities of excellent physicians: confident, empathetic, humane, personal, forthright, respectful, and thorough (Bendapundi et al [2006]). In essence, an RM needs to have an optimal level of *emotional intelligence* (Mayer, Salovey and Caruso [2008]), the sum total of capacities whereby an individual can accurately identify and communicate about not only his or her internal feelings but those of others. Brackett et al (2009) employ the acronym RULER to describe the fundamental elements of emotional intelligence. These include the ability to Recognize, Understand, Label, and Express emotions in oneself and others, as well as to Regulate oneself in emotional situations in order to navigate them adeptly. The latter ability is particularly relevant in financial advising where RMs must deal with clients in various stages of agitation such as anxiety or anger without being derailed by their own internal turmoil.

Are these skills simply a quality of the RM’s personality, or can they be developed by practice and learning? We believe the answer is both. Some people clearly have a natural capacity for interpersonal relationships, yet we believe strongly these skills can be developed by those who have less natural skill but are motivated. Motivation is important. Many RMs still want to focus on technical and financial skills and do not care to develop their capability in family dynamics. Others are seeking to develop their emotional intelligence and relationship skills. Although emotional intelligence has not traditionally been prized in wealth management, this may finally be changing (Beyer [2009]). For those aspiring to the highest levels of wealth management and the deepest trust of client families, the option not to develop these skills may be disappearing.

Table 1 presents our model of the core competencies and service areas needed by RMs and firms to handle the most common personal and family-dynamics issues in wealth management. Some competencies are primarily skills-based: those foundational skills and areas of knowledge that an RM must have in working with wealth management clients across all situations. Others, more service-based, pertain to working with clients with content-specific issues at the individual or the family level.

Table 1. Core Competencies and Services for UHNW Wealth Management

KNOWLEDGE AREA	COMPETENCY	SKILL COMPONENTS
FOUNDATION SKILLS FOR ALL CLIENT WORK		
Working with the Wealth Client Base	Understanding Client and Family Characteristics	Understanding psychology of money and wealth; developmental pathway of wealth creation and management over generations; impact of liquidity events on individuals and families; generational differences between wealth acquirers and inheritors
Client Relationship Skills	Engagement	Presentation skills with prospective clients (listening to client needs, assessing family issues, presenting firm’s skills and services to address needs); establishing rapport with new clients; conveying confidence and competence
	Interaction	Active/reflective listening; effective interviewing and communication skills; using minimal jargon; managing advisor’s own biases/reactions; repairing errors or breaches of trust; maintaining composure with client emotional states; collaborating with other advisors and experts
	Assessment	Assessing client/family personal issues; synthesizing financial and interpersonal information to form accurate hypotheses and plans; deciding when to bring in or refer to experts or other resources.
	Working with Multiple Family Members	Working with couples, including those in conflict; avoiding inappropriate entanglement; maintaining confidentiality; reducing conflicts and differences
	Family Meetings	Defining goals and setting agendas, group meeting facilitation skills; basic conflict management skills; guiding family bonding and learning activities
CLIENT SERVICES: INDIVIDUAL LEVEL		
Advising the Difficult Client	Resistant Clients	Responding to anxiety and concerns; explaining reasons for actions or initiatives: allowing and managing interpersonal distance while maintaining rapport
	Anxious Clients	Communicating effectively with clients who are anxious or panicking; differentiating situational vs chronic anxiety and responding appropriately
	Angry Clients	Communicating effectively with clients who are angry as a result of a real or perceived problem; differentiating the situational vs the chronically angry/blaming client and responding appropriately
	Overspending clients	Understanding subtypes and basic behavioral management strategies for overspending; differentiating untrained/unskilled overspenders likely to benefit from coaching vs. addictive-type overspenders requiring more intensive management
	Other	Identifying and working with grieving, passive, dependent, demanding, and/or self-centered clients
Health Issues Impacting Wealth Management	Elder Health Issues	Understanding basics of health and cognitive issues of the elder population including dementia; understanding geriatric care management issues and options
	Substance Abuse	Understanding basics of substance abuse/chemical dependency; knowledge of treatment options including aspects unique to wealth; trust administration issues; collaboration and confidentiality with treatment providers
	Learning Disorders	Understanding basics of common learning disorders prevalent in entrepreneurship and families of wealth such as ADHD and dyslexia; how to recognize and accommodate these in wealth management.
	Mental Health Services & Referral	Basic understanding of types of mental health providers and procedures for referring to or involving mental health professionals; ability to explain the need for help and facilitate the process of engaging resources

KNOWLEDGE AREA	COMPETENCY	SKILL COMPONENTS
CLIENT SERVICES: FAMILY LEVEL		
Families With Operating Companies and/or Family Businesses	Family Dynamics of Family Business	Understanding the unique nature of families in business; typical issues and strategies for solving family business conflicts; strategic planning; succession planning and transition
	Family Business Performance Improvement	Helping families define, assess, and improve performance for family members working in the business, including leadership development; improving role/responsibility definition, accountability for results, and compensation fairness
	Family Business Governance	Understanding and helping decision-making processes and governance structures in family business enterprises (boards of directors vs family councils vs ownership structures)
Governance and Decision-Making	Family Councils and Governance	Understanding and helping decision-making and governance processes and structures in family wealth enterprises (family constitutions, family boards/councils/assemblies, mission statements, values clarification)
	Family Succession	Working with families undergoing transition in leadership and decision-making either within a generation or across generations; gender issues related to leadership and succession planning
Human Capital Development	Personal Development	Coaching of individual family members in career counseling, job skills, and academic counseling, with facilitation of referral to expert consultants for advanced services
	Family Connection	Helping families define processes for preserving their legacy, developing and maintaining family connection over time
	Next-Generation Development	Personal and leadership development and coaching for next-generation family members assuming responsibilities in the family enterprise or governance
	Financial Education	Understanding and implementing financial literacy training and education for childhood, adolescent, young adult, and adult family members; familiarity with financial literacy resources, programs, and experts; education about stewardship responsibilities
Family-Dynamics Aspects of Wealth, Trusts and Estate Planning	Family Wealth Conversations	Facilitating family communication about inheritance, estate planning, and wealth; explaining procedures and roles of advisors for new and next-generation family members
	Marriage	Understanding emotional/relationship aspects of prenuptial agreements and other matters related to incorporating in-laws in families; creating processes for integrating new members to the family
	Family Trusts	Understanding of emotional/relationship aspects of trust design, trustee-beneficiary relationships, and financial education and preparation of beneficiaries
Family-Dynamics Aspects of Philanthropy	Philanthropy	Helping families clarify values and purpose for philanthropic activities; facilitating philanthropy-oriented family meetings and foundation meetings; setting guidelines and processes for family involvement in philanthropy and social service; incorporating spirituality and faith-based values in philanthropy as requested

The skill range for handling most personal and family dynamics issues in wealth management is comparable to the listing of core relationship skills advocated by the Certified Financial Planner Board of Standards (2005) in working with clients. The CFP guidelines incorporate basic interviewing and counseling techniques, understanding of the knowledge base about the psychology of money and psychology of wealth, awareness of advisors' own biases and blind spots that might affect relationship, and a review of the basic psychological qualities useful in any helping relationship. At the ultra-high-net-worth level of wealth management, additional skills are necessary due to the greater degree to which RMs work with families, not just individuals or couples. These skills include the ability to gain the trust of multiple family members with different views and suspicions of each other, to probe for deeper issues during interviews, to be able to bring issues up in relevant ways within the family without unduly escalating conflict, to educate the family about new possibilities and practices, and to help the family fashion an effective response to their differences. Many of these core competencies correspond to Budge's (2008) discussion of the capabilities for RM skill development (Budge [2008], Chap. 8).

In our view, RMs may be expected to have solid competency in the foundational (generalist) skills as a normal part of their work with all clients, as well as good familiarity with and basic skills in handling the client service areas at a low to moderate level of complexity. RMs need not be expected to independently address all of the rare, obscure or advanced issues families face. Ethically and professionally, the task is to recognize which client families are facing natural developmental transition stresses common to wealth across generations and which families have severe difficulties in need of immediate expert help. Just as advisors are trained in assessing the complexities of financial management along risk, tax, legal, and regulatory parameters, RMs can be trained to assess clients' personal and family dynamics issues with relatively similar success.

The more training RMs have in the core competencies and service areas listed in Table 1, the more they will be able to identify accurately, handle, and resolve on their own with good success. Many RMs fail to identify or, due to their own anxieties or skill limitations, avoid dealing with relatively straightforward issues that families have. With even a modicum of appropriate training and consultation, RMs can provide excellent service to the families under their care.

At the same time, accurately assessing risk and complexity is as crucial in family dynamics as it is in financial management. It is easy for an RM to wander more deeply into a family conflict than was anticipated, which can lead to disaster for the client relationship and a general retreat by the firm from addressing even manageable client issues. The more there is significant conflict between family members or significant individual impairment, the more advanced the level of skill required. The challenge – and responsibility--for an RM is to be able to assess the level of conflict or complexity in order to judge whether to become involved, and, if so, in what ways. After making that assessment, the advisor has the further task of making a case to the family that they can and should deal actively with the issue through the recommended avenue. This may lead to recommending and obtaining in-house consultation and/or referring the family for outside expert services, while still keeping the RM informed and involved in a collaborative role for the family and the firm.

Although many advisors feel extremely awkward at suggesting a referral to a mental-health or family-dynamics professional even when the need is obvious, knowing when and how to refer in a sensitive and diplomatic manner is crucial if an advisor is to do his job ethically for the benefit of the client. It also can make the difference between managing the client relationship successfully versus botched family meetings, open conflict during generational transitions or even the family's turning on the RM as a scapegoat, which can result in the advisor or the firm being fired. Each step of this calls on the RM to exercise family-dynamics skills. As we will outline in detail in Part II, the more complex levels of family dynamics are the domain of the wealth management firm to provide or arrange for in concert with the front-line RM.

Table 1 advocates for a set of skills that many financial firms may assume to be obvious and easy to master. Yet these are not simple or "natural" capabilities, though a few RMs may naturally possess some of them. They are skills that can be learned just as financial skills can be. To do so, they must be recognized as skills rather than natural capabilities. Advisors must be able to clearly assess their level of skills, and opportunities to develop them must be offered to those who choose to go in this direction. In other words, they can and must be trained.

Training and Development of Relationship Managers

No curriculum has been formally established within the industry for education in client-relationship and family-dynamics skills. Many RMs rely largely on common sense, intuition, and experience from their own family, supplemented perhaps by current or past experiences learning from a mentor during career development. Many also rely upon the informal peer network and social support that occurs within institutional firms or professional networks such as the National Association for Personal Financial Advisors,

the Financial Planning Association, and CIMA³- or CFA⁴-oriented continuing-education events, augmented by reading trade publications and journal articles.

Training and development covers a spectrum from the brief, informal, and primarily informational to the extensive, highly structured, and experiential:

- Self-directed reading about communication skills and family dynamics
- Individual workshops or training seminars on relevant topics at industry conferences and professional meetings
- Short-term (4-6 sessions) or long-term (multi-month or multi-year) trainings by one or more outside consultants
- In-house case presentation and discussion of client needs and options in a multi-disciplinary team
- Individual coaching relationships established with a psychologically-trained professional
- Online materials and webinars
- Intensive programs sponsored by psychologically-oriented or -trained professionals, often training a small group of advisors in principles of family therapy, systems theory, communication skills and self-awareness about counseling and/or wealth skills

Each of these training procedures on their own suffer from a variety of problems including lack of breadth, lack of depth in high-priority areas, greater emphasis on knowledge acquisition than skill development, and lack of quality control.

Since the pursuit of client-relationship and family-dynamics training is dependent on the inclination and aptitude of RMs themselves, self-directed learning can unfortunately reinforce a self-fulfilling cycle. Emotionally-attuned advisors may seek out readings or training about psychological aspects of financial advising. Advisors with less orientation, inclination and/or belief in the core nature of these skills may skip over or even avoid articles or attendance at relevant opportunities. The good get better while the not-so-good fall behind. We also recognize this pursuit requires a level of engagement and commitment not every RM wants to make. Some RMs will opt for developing only a sensitivity to these issues, while others will pursue deeper training about family wealth and family business (e.g., Bork, Jaffe, Lane, Dashew, & Heisler [1996]).

Yet a certain minimum level of competency in the Table 1 areas should be expected if RMs are to proffer themselves as senior advisors in UHNW wealth management. It may be time to establish a threshold level of both knowledge and skill for the profession, so that RM training in the full range of competencies becomes the norm, not the exception. How best to accomplish this?

Studies of medical professionals, airline pilots, musicians, athletes, and others have led to a growing body of research on the development of professional expertise in complex fields (Ericsson, 2009; Ericsson et al., 2006). Three elements are known to be useful for helping a professional develop proficiency in integrating multidisciplinary knowledge in sometimes-stressful human situations. The first two are identification of *general foundational knowledge and skills* applicable across situations typically encountered as part of the professional field, and *domain-specific knowledge and skills* for situations where a generalist level is necessary but not sufficient for competence. Our organization of core competencies and service areas in Table 1 is patterned on this research. It covers the two key learning objectives of *knowledge* and *skill* which must be targeted at both *generalist* and *domain-specific* level of proficiency. This organization would allow development of a curriculum that would guide the training of RMs through any or all of the three most common educational formats: self-directed learning, industry-sponsored training programs focused on some or all of the elements, or firm-sponsored training programs where experts are contracted to develop the expertise of

³ Certified Investment Management Analyst, a credential of the Investment Management Consultants Association

⁴ Chartered Financial Analyst, a credential of the CFA Institute

in-house advisors. By training the key areas listed, RMs would get a solid grounding in the areas of client-relationship skills and family dynamics necessary for UHNW wealth management.

What has traditionally been lacking in most training programs, however, is what research indicates is a crucial third element – *practice and application* of these skills under naturalistic conditions with feedback, so that knowledge becomes skill. Several learning modalities are useful here. The first is role-playing, which in financial advising is what flight simulators are to pilot training - a place to practice new knowledge and skills under supervision without risk to a real client. Repeated role-playing in the presence of others (particularly with video recording and playback) can provide feedback and advice for improved performance. Not only can RMs see how they perform and practice new skills, they gain proficiency so that, under the stress of real interactions with panicking or angry clients, for example, RMs can still perform well without derailment by emotional stress. Role-plays must be practical, free of psychological jargon, and framed in understandable terms using client scenarios familiar to advisors. In our experience, most RMs dislike the idea of role-playing when first exposed to it. Yet RMs invariably walk away having learned the most from the role-playing portion of the training.

The other two practice modalities are experiential learning and enhanced application of skills using case discussion. Experiential learning involves applying a skill to one's own experience. It is akin to role-playing, only the advisor plays the client or simply is the focus of the activity. Since competency in applying family-dynamics knowledge requires the development of self-awareness about one's strengths, limitations, and biases, learners may be asked to share their personal genograms (family trees) or to take an assessment tool and see what they learn about themselves. During discussion and role-playing, RMs discover new perspectives about their own experience and values concerning money, investing, spending, family, and even attitudes about the wealthy. Without some surfacing of these issues, RMs run the risk of having their personal conflicts touched off by their work with the client.

A further aspect of skill development involves the sharing of cases with others, to discuss how the competencies and resources for family dynamics can be applied. These discussions allow the RM to talk about difficult situations, exchange experiences with others who are working with families, and receive guidance from senior advisors. This learning can take place, for example, in a monthly case meeting where advisors talk about the challenges they face and debrief about successes and mistakes.

In summary, RMs occupy a crucial place at the center of the client relationship. As the general practitioner responsible for balancing the needs of the family, the wealth, and the firm, the RM must possess a set of core competencies in the many services required at the individual and family level with clients. Yet even the best RM does not have enough hours in the day or skills in his toolbox to deliver everything a client family needs to solve wealth-related personal or family issues. We next explore the inter-relationship between the RM and his or her financial firm, a key factor in the successful delivery of integrated wealth management.

Part II: Family Dynamics Services Within the Wealth Management Firm

The RM is not a solo practitioner. He or she works within a financial institution with certain values, procedures, and culture, expressed in such ways as how the firm approaches clients, structures services and fees, and even promotes and rewards its people. When the orientations of the RM and the firm align, clients receive the greatest benefit. But when there are disconnects between the RM and the firm, in the long run everyone suffers.

Excellent RMs can be ineffective when based in firms that don't prioritize family dynamics services. If the culture or systems of a financial institution complicate or even negate the capacity to provide a full range of services to the client family, the RM will be on the spot at the intersection between the desires of the family

and the internal issues of the firm. Equally frustrating is when a psychologically-minded firm places an emotionally inept RM in front of the client family.

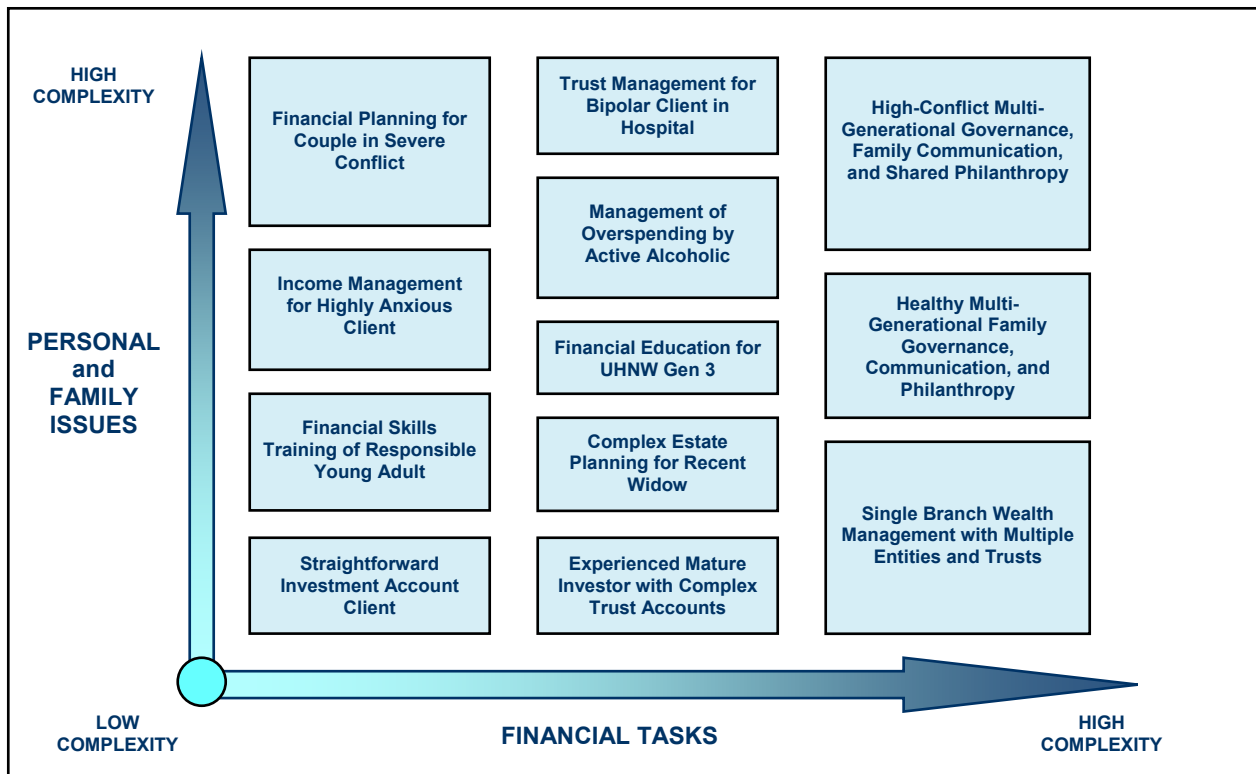
To serve the complex personal and family needs of clients, the financial firm and its front-line RMs must act as an integrated system with appropriate capacities at the individual advisor level and at the system-wide level. Budge [2008] notes that good coordination with and support by the wealth management firm enables the advisor to do his job for the benefit of the client family. In essence, competence at handling the psychological side of wealth management must be present in both the family's main point of contact and the larger system supporting the family's needs.

The Inter-relationship of the Relationship Manager and the Wealth Management Firm

In order to understand the inter-relationship of the RM and the firm in delivering family dynamics services, the basic inter-relationship of family dynamics and financial management must first be understood. A reality is that all financial management contains aspects of personal and family dynamics to greater or lesser degrees of complexity, in what Grubman and Whitaker [2008] label the *Two-Axis Model of Financial Advising*. Compared to the notion that financial management and psychological services exist almost antithetically at separate ends of one service spectrum, the Two-Axis model parses financial tasks and personal/family issues along independent axes that coexist throughout service delivery.

Figure 1 illustrates the field defined by these two axes using some examples of activities commonly seen at the ultra-high-net-worth (UHNW) wealth management level. The examples are drawn from various service areas described at the individual and family levels in Table 1.

Figure 1: UHNW Client Examples in the Two-Axis Model of Financial Advising



This model captures the idea that most financial services contain human aspects that require communication and relationship competencies, not only in the nature of the financial task but also in navigating the

relationship between advisor and client. Some financial tasks are easy because the complexity of clients’ personal or family dynamics is low. It doesn’t mean that psychological issues are absent – only of low complexity or level of conflict. Other wealth management tasks contend with significant client issues which can complicate or even overwhelm the financial matter at hand.

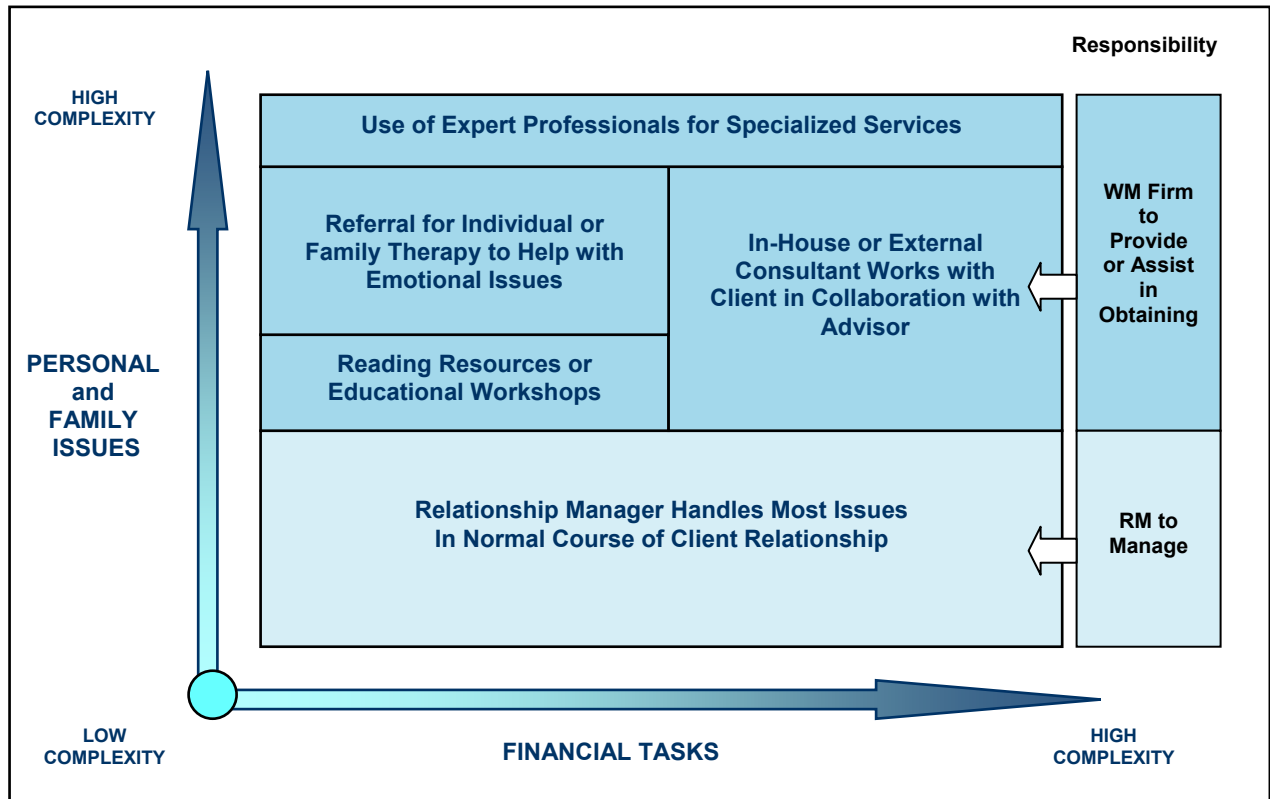
In our view, the RM should notice and be able to handle directly those low-to-moderately complex interpersonal issues that arise in the course of wealth management. The wealth management firm’s role would be to understand, value, support, and make available high-quality resources to the RM and the family that address those service areas beyond the capacity of the RM. Consistent with the competencies and service areas listed in Table 1, the menu of family-oriented wealth management services includes the following (Table 2):

Table 2: Menu of Family-Oriented Wealth Management Services by RMs and Firms

Services	Component Activities
Individual Support and Coaching about Career, Financial, and Personal Development	Helping individuals manage their money and plan their lives Mediation of relevant family differences about wealth management, values, and goals
Family Meeting Facilitation	Facilitation of family discussions about legacy, inheritance and estate planning Facilitation of family improvements in communication, connection, and conflict resolution
Legacy Planning and Preservation	Assistance with development of oral, written or video histories and/or ethical wills
Educational Seminars, Workshops, and Resources	Client forums and seminars, incorporating educational and/or peer support components Financial literacy education and training to develop next-generation skills in managing wealth Reading resources for self-directed family learning
Referral Services for Psychological and Other Specialized Services	Assessment of crisis or developmental problems within the family and assistance with arranging high-quality outside services Mental health referral and coordination
Conflict Resolution	Mediating relevant conflicts within the family about inheritance, roles, authority, or control over wealth Dealing with financial matters related to marriage and entry or exit to the family
Family Succession and Governance Activities	Development of family governance processes, including family mission statements, organization of family councils and other formal or informal decision-making systems Assistance with transitions within and across generations in family leadership, ownership, and participation as the family system changes over time

Drawing together the factors of family-dynamics complexity, role responsibility, and resource utilization, Figure 2 shows how the range of services and responsibilities can be distributed within the Two Axis Model between an RM and the resources of the firm.

Figure 2. Range of Services and Responsibilities in the Two-Axis Model (WM Firm = Wealth Management Firm, RM = Relationship Manager)



Adapted from Grubman, J. and K. Whitaker (2008) A Two-Axis Model of Financial Advising. *FFI Practitioner*, November issue.

Skillful management of the service delivery to client families depends not only on the professionals available and their capabilities. It requires one of the competencies for RMs described previously – accurate assessment of the issues and who may be best to manage them. The wealth management firm’s responsibility is both to make available the full range of services to clients but also to embed the RM in a system that supports his or her difficult role. These services also require interdisciplinary collaboration since they involve not just family dynamics but legal, tax, insurance and estate planning as well, among other factors. The challenge for relationship managers and their firms is therefore three-fold :

- To decide what services to offer for a family, grounded in a clear rationale understood within the firm and able to be articulated to the family;
- To present the possibilities in a way that the family can understand and agree to; and,
- To either provide the services themselves or select the team of internal or external professionals who can provide the services.

Handled optimally, the client family benefits from the right level of service, delivered by the appropriate professional, matched accurately to the complexity and nature of the individual or family need. The client experiences seamless and well-coordinated transitions among all of these services while the RM retains his/her core role as the family’s front-line advisor.

Part III: How Financial Firms Can Implement Family Dynamics Services for Families

Wealth management firms differ markedly in how much they offer from the services menu listed in Table 1, as well as in the quality of the offerings and whether they are prepared in-house or catered in from the outside. The variety of approaches falls along a continuum that essentially includes the following options:

- **No services in-house, with ad hoc referral to external consultants when the family requests it.** This has the virtue of maintaining the fiduciary distance but risks losing touch with family members as they go outside to address issues that most matter to them.
- **In-house part-time or full-time services available by a non-psychologically trained advisor.** This is often a professional with a background in law, management science, trust administration or financial planning who has worked in the wealth management industry for many years and developed an attunement to family dynamics without formal training. These professionals may sometimes help clarify the firm's family orientation during prospect meetings and help spearhead client services such as client forums, financial literacy trainings, or family meetings. Other services may include assistance with development of family mission statements, constitutions or family councils. When encountering families with particularly difficult or contentious issues, these advisors may reach out to psychologically-trained experts for a greater depth of experience and expertise.
- **In-house part-time or full-time professionals with mental health credentials.** There is a small but growing number of financial advisory firms or larger institutions with in-house psychologically-trained professionals who provide in-depth family assistance. These professionals help define their role, balance professional standards of confidentiality with varying degrees of collaboration with the firms' RMs, and involve other members of the family's wealth management team in some of their activities. Both of us have each served in a part-time capacity with multiple firms, as have colleagues working with other institutions⁵.
- **External therapists and consultants who work typically at the family-branch or individual level rather than at the family-system level.** These professionals provide counseling services for individuals or couples within a family on such issues as adjustment to wealth, family dysfunction, substance abuse, intergenerational strains, or tensions in estate planning or inheritance. These therapists may collaborate with wealth advisors to varying degrees, from completely separate to highly collaborative.
- **Dedicated external consultants in the fields of psychology, family business advising and family wealth consulting.** These professionals work with wealthy families either on referral by the financial firm or through direct contact by the family. They may also work closely with a single family office (SFO) over a several-year engagement, coordinating closely with the SFO staff. This referral model allows a financial firm, SFO, or multi-family office (MFO) to maintain their involvement with the family while providing the highest level of professional services to the family. As with the other professional models, an important factor for success in this referral model is the degree to which the external consultant and the RM or firm collaborate together.

Enlisting a live professional is not the only option for supplementing the expertise of the RM and the firm in the areas of financial literacy, governance, philanthropy, family communication, conflict resolution, or adjustment to wealth, to name typical examples. Many client families simply prefer to learn on their own using targeted and personalized learning materials to guide them, as well as some guidance and consultation from their advisors. An oft-neglected part of wealth management is the use of high-quality client-resource materials and activities as intermediate steps in improving family dynamics (see Figure 2 above for an example of how such resources can bridge the transition from the RM to the use of outside counselors at low levels of financial complexity and moderate levels of family-dynamics complexity).

⁵ Examples include Keith Whitaker and Susan Massenzio in the Family Dynamics Practice at Wells Fargo Family Wealth, Kirby Rosplock and colleagues at GenSpring Family Offices, Lee Hausner at First Foundation Advisors.

In our experience, most wealth management firms employ these resources on a very limited basis. They have a bookshelf somewhere stocked with a few well-known books from industry leaders. These may or may not get used, and they may or may not be truly familiar to the RM handing them out. Outside speakers are offered once or twice per year but there is little integration with the daily work of the RM with the family. A better approach is for receptive client families to be pointed to a few quality books, articles, and audio-visual materials, with the RM available for coaching and discussions. Educational client forums and presentations by experts are invaluable in supplementing the work of the RM, though their messages are strongest when echoed by the front-line advisor who wraps conversations around client newsletter articles or the arrival of topical speakers.

However firms choose to arrange for the individual and family-wide services discussed in this article, the vision must come from the top. Leadership is needed both externally with client families and internally within the financial institution. For client families, a proactively-defined process of providing family dynamics services helps everyone involved. Otherwise, neglect of this crucial function leaves each RM and each client family scrambling to find solutions on their own--dependent on the issue, the availability of consultants, and the fit among the family, the firm, and the consultant. Within firms, leadership support is fundamental for training RMs and for developing a culture that clearly promotes the value of these services. Among other things, this helps offset the skepticism from financial advisors who may neither understand nor accept the presence of psychologically trained professionals under their roof or near their clients. When all staff--front-line RMs, investment advisors, and even administrative personnel--see that the firm's mission includes support of family-dynamics services as part of integrated wealth management, families feel the difference and get the benefit.

The Challenges of Providing Integrated Services in Family Dynamics

As financial firms prepare to provide these services to families, they encounter several challenges:

- **Recognizing the different mode, time frame, and outcome measures necessary for family dynamics services:** These services differ in several ways from traditional financial services offered by the firm. First, they cannot be offered without the active involvement and participation of family members. These activities are done with the family, not for them. It takes time and emotional energy for the family to participate. Second, Hughes (2007), Budge (2008) and others have pointed out that financial and other expert technical services to families are primarily *transactional* while family-dynamics activities are *transitional*, in that they take place over time and often need ongoing attention. These activities take place within the evolution of the family over generations of a life cycle. They involve helping the family to anticipate and manage the transitions of the family as the questions about family wealth and enterprise shift as generations do. Their transitional nature also means that issues are not necessarily resolved in a definitive way with a clear conclusion. Rather, they represent agreements and choices that may be in continual evolution. A firm must therefore understand that the nature of family dynamic services is different than many of their other offerings, asking more engagement of time by both the RM and the family with less definitive or clear outcomes.
- **Defining the business model and pricing for services:** Historically, many firms offered some level of family-dynamics services as part of their overall fees, whether part of a fixed-fee arrangement or tied to assets under management (AUM). In the current environment, pricing for family-dynamics services is an active area of interest and struggle. Firms must balance how to maintain profit margins, determine client and RM profitability, cope with the shifting desires of families to bundle or unbundled services, and deal with increasing demands for transparency, all while remaining competitive (Paikert [2007], Family Office Exchange [2008], Family Wealth Alliance [2008]). Some firms ask clients to pay separately for family-dynamics services using a flat-fee or retainer arrangement, while others bundle these as a value-added part of their general offerings linked to assets under management (AUM). Different pricing models have

different advantages and disadvantages, not only in fees but in the intangible value placed on family dynamics services. Charging a separate fee allows the firm to be compensated for the extra time needed to work with client families with multiple needs. It also eliminates the background cost-shifting that must otherwise occur in a one-size-fits-all model where low-service clients are in effect subsidizing high-service clients. Yet, it risks conveying to clients that the core competencies and service areas of Table 1 are not really a part of the core business of wealth management. In addition, it may provoke the resistance of clients who do not initially seek these services and in fact have to be convinced that they need them (or think their general fees should include them).

Within the firm, the value that is placed on providing these services rests on whether the time and effort devoted to family dynamics can be clearly linked to acquisition and retention of clients as well as the firm's identity within the marketplace. It also depends on firms' having a much clearer handle on the actual profitability of each client relationship, the efficiency and skills of RMs in delivering family-dynamics services, and whether the firm can choose efficiently from the full menu of in-house and external services. Larger SFOs, MFOs, and institutional firms may find it easier, for example, to keep the appropriately trained professionals available and occupied with families' needs due to economies of scale, compared to small- and mid-sized firms. There is no single solution now or on the horizon. However, one viable option may be our description of a basic but substantial set of in-house educational and family dynamic services for all clients – bundled as part of general fees – which is combined with advanced services at additional fees for those families needing a higher level of expertise, drawing either from internally-available consultants or external providers.

- **Finding and developing RMs with family-dynamics knowledge and skills:** The difficulty of finding high-quality human capital for UHNW wealth management has traditionally been one of the top limitations to service and growth in the industry (Family Wealth Alliance [2008]). Firms wishing to hire new or replacement RMs with skills in family dynamics run up against the even-greater difficulty of locating advisors with the core competencies we have listed. This begs the question: how should a firm find such advisors, or to train them for skills required?

In hiring RMs, prior successful experience in family dynamics is obviously of tremendous value, though still rare. Firms need to evaluate potential hires for emotional intelligence, empathic skill in client relationships, and awareness of affluent family dynamics beyond a superficial level. One method of evaluating new hires may be to use the core competencies and service areas of Table 1 as a checklist for determining experience and performing behavioral interviewing using common client scenarios. A combination of personality assessment during hiring plus coaching and training of RMs post-hiring may be the most likely method to build a deep bench of RMs with the requisite aptitudes and skills within a firm. Many firms use a team model where clients work with two RMs of similar status or one senior RM and one junior RM. Distributing family-dynamics skills throughout the RM group can provide access to capabilities on a broader basis while elevating the entire group through the use of the case discussions, experiential learning, and role-playing described in Part I.

Help may eventually arrive from the wealth management industry itself as well as client advocacy organizations. Short-term training programs for RMs have been in place for years with a strongly technical focus that nevertheless incorporates a bit of attention to family dynamics (e.g., five-day programs at Stanford University and the Wharton School at the University of Pennsylvania in collaboration with the Institute for Private Investors). New training and certification programs are in development at the Family Wealth Alliance, Family Office Exchange, Family Firm Institute, and academic institutions such as the Sauder School of Business at the University of British Columbia. Programs differ in the extent to which they incorporate a strong focus on client-relationship behavioral skills and knowledge of family dynamics in wealth, yet even a modicum of training is better than the minimal level many current RMs have. These consulting organizations may be helpful in funding research, advocating for identification of RM relationship skills and training, and evaluating of wealth

managers about their adequacy of family dynamics services. When family-oriented services are highly prized, both RMs and firms may devote more resources and training to their support. Furthermore, when a competitive advantage falls to RMs with core competencies and family-dynamics skills, more RMs will see the need for training in those skills.

- **Finding and developing professionals trained in both psychology and finance:** Beyond the difficulty of finding psychologically-skilled RMs is the surprising dearth of family-dynamics experts available for when an outside consultant is needed. It can be a challenge to find well-qualified and well-trained consultants who have experience working in financial services systems, know how to operate in an environment very different from private therapy or consulting practices, and have skills for the fast-paced and action-oriented atmosphere of today's wealth management organizations. Many wealth management firms complain they wouldn't know who to refer to even if the need arose. The Family Firm Institute (ffi.org) provides a consultants' directory and counts xxx behavioral professionals among its American and international members. There are many therapists with varying credentials and degrees of experience who may themselves possess only a portion of the competencies and knowledge areas listed in Table 1 but who can assist with services in some areas relevant to wealth management. However, these professionals also need to understand the uniqueness of offering services to a special clientele who may not want full therapeutic treatment. These professionals need their own training and skill enhancement to provide effective services. Broader demand for the expert services described here may overrun the resources of the limited number of specialists in this tiny corner of the mental health field. In the long run, training programs must be publicized and enhanced in family business centers, family therapy training centers, and academic departments, bridging financial advising and psychological services. In the near term, wealth managers are left to access expert consultants through FFI, the use of Internet keywords, contact with leading professionals in relevant service or geographic areas, and inquiry to other firms already working with experienced consultants.

Summary: The Promise of Integrated Wealth Management

The model we describe here is primarily aspirational. We know of no family or firm who benefits on an ongoing basis from all the components we outline. Development of financial firms and their advisors in the psychological aspects of wealth management is in its youth but, like early childhood, it is growing rapidly and learning quickly as it goes. We now know what services are needed by families, who may be best positioned to deliver the services (with appropriate training), and how services need to be arranged for the benefit of clients. There is also a clearer sense of the dilemmas, challenges, and benefits inherent in different models of service delivery, though much controversy remains about how best to resolve these.

Client families place more than their assets in the hands of a financial firm and its staff. They entrust their dreams, their worries, their very future. Relationship managers and their firms share a responsibility to provide competent services for the personal and family dynamics of the clients they serve. Fulfilling this responsibility brings together the family, its wealth, and its managers, the core components of family wealth management.

Biographies of Authors

James Grubman PhD is a psychologist and consultant to families of wealth, family businesses and the financial services industry, including independent advisory firms, family offices, and institutional advisors. He has taught at the graduate level for many years on psychology and financial advising. His practice, FamilyWealth Consulting, is based in western Massachusetts.

Dennis T. Jaffe, PhD is professor of organizational systems and psychology at Saybrook University in San Francisco, and author of **Stewardship in your Family Enterprise, Working With the Ones You Love, Getting Your Organization to Change** and **Take this Work and Love It**. He received his BA, MA and Ph.D. from Yale University.

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