



Preparing your clients for uncertainty

Understanding and preparing clients for the increasingly-likely possibility of mental health problems in later life can mean that a wealth manager can add real value for them today and in the future. By Kees Stoute

According to the organisation, Alzheimer's Disease International, the number of people with dementia in the Asian region will increase from 23 million in 2015 to almost 71 million by 2050. Dementia-related care costs in the region currently stand at USD185 billion.

What does this have to do with wealth management? Actually, quite a lot.

The ambition of most professional wealth managers is to help clients align their wealth with what it is they want in life.

So before giving any meaningful advice to clients, it is therefore essential to really understand them. That isn't as easy as it might seem, given that it often goes beyond just asking "what do you want in life?"

It also means that we help our clients to become aware of 'challenges' they might face – dementia being one of them. And the flipside of human beings growing older is that this doesn't always happen with good health and spirit.

PRACTICAL PLANNING

As a result, the costs of getting old may be significant. For that reason,

more than ever, 'adding value' also means helping our clients to be realistic and financially prepared for bearing the potentially significant costs of health care.

In the case of Alzheimer's, our value-adding potential reaches even further than just coping with financial consequences. What do your clients want to happen with their life and their wealth if they lose the mental capacity to control their assets?

That is an extremely difficult question to answer. Do they want their wealth manager to act on obviously-irrational instructions? Who will be in charge of the finances once the mental health has deteriorated too much? And what is 'too much'? At what point will the control over the wealth pass on to the designated individual(s)? Etc.

These are highly-delicate matters requiring a sensible, tactful approach.

But in view of the staggering and increasing number of Alzheimer's cases in the region, it is an important question, which should not be ignored.

Many complicated situations, such as family disputes and elderly abuse, have

been reported as a result of the fact that nothing was in place to deal with such a situation.

When we have a discussion with our clients about what they want in life, we don't just look at a material wish-list like: "You want a boat, you want to travel, you want a holiday home, you want a Ferrari, so you need x USD".

Value-adding planning goes much further than that; it also means facilitating the thought process needed to anticipate what clients want in life when life does not go the way they want.

Unfortunately, statistically the chance is rather high that things go differently – and less favourably – than expected.

Preparing for Alzheimer's – or other factors that may cause diminished mental capacity – has the additional advantage that it helps to reduce the future liability of wealth managers.

But much more importantly, it provides peace of mind for the clients.

Most of them will require professional advice to experience this. ■

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