# Who really is your client?

*Your definition of 'client' impacts a wealth manager's ability to really add value.*
*By Kees Stoute*

The temptation – and shortfall – for many wealth managers is to focus their time and energy on satisfying what they perceive to be the needs of clients today. They often fail to think about what really matters to each client in terms of fulfilling broader family, lifestyle or other objectives. As a result, anything they try to do for the client's portfolio in the short term might not add any value to the client in the long term.

Let's take a couple of practical examples to briefly demonstrate this. Put yourself in the shoes of the following wealth manager: three years after these two clients below, John and Mr Chow, opened an account with you and transferred in USD1 million, you have achieved an annual return of 7% for each of them. This is a good outcome. But before we overwhelm you with complements, let's have a closer look at both of your clients.

## JOHN

John is a 25-year old professional soccer player. He plays in the Premier League in England, where he earns GBP43,000 (USD63,000) per week. Even though John – and all his colleagues in the Premier League – earn this type of impressive income, more than 50% end up bankrupt within five years after ending their active career.

What value does the 7% return that you achieve on John's USD1 million represent in the context of this statistic?

Given the fact that John's life expectancy most likely exceeds his soccer career's life expectancy by a large amount, you probably add much more value to John's life if you don't treat the John of today – or his USD1 million he has with you – as your client, but instead you think of what you should be doing in terms of planning for the John of 25 to 50 years from now.

If you define the 'future' John as your client, your focus will change from generating a return of 7% to serving and protecting the interests of the old(er) John, ensuring a comfortable life after sports, in turn reducing the odds that he ends up a bankrupt like most of his peers.

## MR CHOW

Mr Chow's estate is worth well over USD100 million. He is 58 years old and is married with three children, all in their 20s. Frankly, when it comes to his wealth, it is not Mr Chow's main concern how much you return on the USD1 million that he has with you. Mr Chow's main worry is his children. He is aware that sibling disputes over inheritances are becoming increasingly common. He wants to avoid that, but is not sure how.

In this context, the 7% return – although impressive – does not add significant value to the overall life of Mr. Chow.

So who is your client in both cases?

If you focus on the individuals and the money they place with you as your direct clients, without thinking beyond these details, then you narrow your ability and potential to add value to the lives of your clients. It may therefore help to consider these two questions:

1. To what extent should you actually look at how you can serve and protect the best interests of your clients 25 to 50 years from now?
2. To what extent would it benefit the client (and yourself) to include the entire wealth unit – ie. the family, including spouse and children – in your definition of client, rather than just the account-holders and the money they bring to you initially?

How you answer determines:

- How you define who your clients really are
- How you approach these clients
- How much real value you can ever add to the lives of your clients

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