Why real advice goes way beyond returns

Wealth managers are here to help rich people to feel as comfortable as they can be that their wealth serves a clearly-identified and defined purpose, and is managed accordingly. By Kees Stoute

"I am very disappointed with my relationship manager."

"Why?"

"He recommended me to buy pound sterling, as he expected the British would vote against Brexit. Guess what? They didn't. So I lost a lot of money, holding a significant pound sterling position that I don't need at all."

It is sad that we continue to have this type of conversation with clients of private banks.

Despite all the talk and good intentions of the industry, there are still way too many practitioners making it their mission to gamble with their clients' money.

Obviously, if a client has agreed with you on an aggressive risk profile and hopes to make a significant return, it does make sense to expose a certain percentage – for example, 2% to 3% – to 'bets' like this.

It is true that many, if not most, political observers thought that the idea of Brexit would be rejected, which certainly could warrant some exposure, in the context of an overall, aggressively-managed portfolio.

However, in the case highlighted above, the advice was not given in the context of an overall portfolio.

Instead, it was in isolation and also with the sole intention of helping the client make a lot of money with this 'no brainer' bet.

PROVIDING VALUABLE INVESTMENT ADVICE

Adding value in the context of investments means structuring a portfolio in such a way that it is most likely that the agreed upon returns are achieved whilst the client is exposed to the lowest possible level of risk.

So just advising a client to make money from the Brexit vote, for instance, without giving explicit regard to the client's objectives, his true risk profile and his investment time horizon, is just like recommending that client to play red on the roulette table.

The true value of investment specialists should not be found in their fortune-telling skills, but in their ability to help clients get clarity about what it is they really want with their money. Only with such clarity will an investment manager be able to adopt a disciplined, sophisticated investment approach, which happens to be fully aligned with the objectives and risk appetite of their clients.

DON'T SELL PERFORMANCE

Selling performance is not only irresponsible – as we cannot control the market nor the outcome of a Brexit referendum – it is also unhealthy.

By selling performance, you make your fate dependent on luck. This is both unpleasant and utterly stressful.

As professionals, we ought to focus on areas where we have control and where we are able to add true value to the lives of our clients.

The wealth management profession is not there to help people to become rich, or get richer.

We can bring so much more value to our clients' lives – and should aspire for them to recognise us as doing so.

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