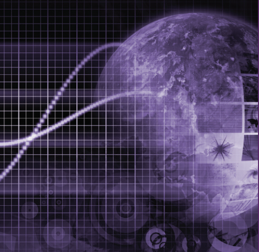

By **Martin M. Shenkman, S. Mark Alton, Daniel K. Zismer** & **and Ben Utecht**

Team Culture

Achieving the 5Cs of teaming and value-add for clients

Rapid and persistent advances in technology are increasingly threatening the traditional role of financial advisors, estate planners and allied professions. Commoditization is changing estate and financial planning. Advisors of all disciplines and traditional planning models feel the pressure. These developments create both challenges and opportunities. To be most successful, advisors must adapt.

Without losing sight of how important tax planning, asset protection and providing maximum flexibility and control are to the estate-planning process, these are just a means to an end. The ultimate purpose for planning is to protect clients as they age, preserve a family business, perpetuate family wealth, promote family values and the family itself down through the generations and to promote individual, family and community flourishing. Fortunately, promoting trust and communication within the family, preparing the next generation to receive the wealth or helping a family draft a family wealth mission statement are just a few of the high level relationship activities that provide tremendous value. Robo-advisors can't compete.

Some practitioners advocate for a particular model. For example, they refer to a single family or multi-family office (MFO) as the gold standard of planning. Some suggest the next best thing to those options for clients who can't afford an MFO relationship is the full-service wealth management firm that houses investment, tax, estate and other planning specialists under one roof. Yet others suggest that building teams plucked from top professionals in each relevant discipline, so-called "best-in-breed" advisors, make the best teams. Some institutional trustees advocate for unbundled options that charge a low administrative trustee fee, and then the client/family can select and hire other services within that institution, or outside specialists, if and when needed. But, does that really provide the continuity and guidance that's desired? Perhaps. There's a different perspective. No model is necessarily better or worse than any other, nor is the fee structure of any one model more valuable to the client than others. What differentiates the better approach for the client is providing the most value added. That value added isn't based primarily on the fee structure used by the advisors in the team, but that seems to be the primary factor many clients consider. Lower cost certainly doesn't assure better net results. Nor does incurring a higher cost or hiring a more prestigious advisor.

Team Culture

The differentiating factor in better planning results is the success of the overall team, which is dependent on the 5Cs discussed below. But, the most critical threshold step is to have, and if not, create, a common culture focused on the maximum value added for the client. While many firms have a successful culture, it's much

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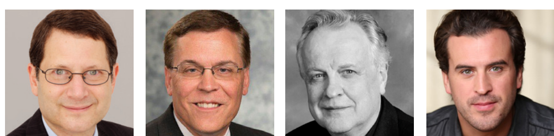
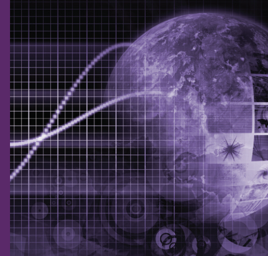




rarer for teams comprised of different firms and advisors to have a "team culture." Absent a team culture, even the best advisors won't deliver the best results. This culture must exist, or be created and fostered, both within each advisor's firm and across advisor firms to encompass the team.

Some advisors are responding to commoditization and competitive threats by lowering fees. While lowering fees might be warranted and helpful, it's not an optimal long-term solution because it misses the key point of maximizing the value added that the team (not that particular advisor) provides the client. Others try to address the challenges of commoditization and competition by trying to monopolize the client's ear to the exclusion of other advisors. They have the answers, so clients should listen to them and stay with that advisor as the essential quarterback of the planning team. But, with the incredible pace of change, so many variables to consider in creating and maintaining a plan and many of those variables being subjective, personal and ephemeral at best, that approach is shortsighted. Rather, in a truly collaborative environment, the multidisciplinary team is the most trusted and indispensable advisor. It's the team, not one advisor as the supposed "quarterback," that should be the focus. By fostering a culture for the team that can implement the other 5Cs, teams can deliver an incredible value added to perhaps every client, benefiting the client and assuring the importance of each advisor on the team.

5Cs of Teaming

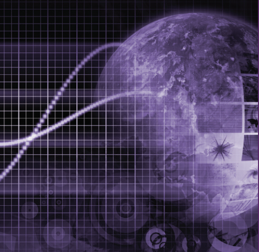
Let's explore the 5Cs of teaming, beginning with the foundational "C" of creating a team culture. Many of these concepts are similar to the National Association of Estate Planners and Councils' (NAEPC) "NAEPC Model for Collaboration." The 5Cs of teaming are:

Culture. This may be the prerequisite for all teaming matters to succeed. While this is perhaps much less of an issue in a family office environment, where one entity can have one culture, it's a significant issue in best-of-breed teams when different top quality advisors from independent firms form team relationships for a particular client, especially as the composition of the team changes regularly. But, it's likely vital for all client teams because there are always outside advisors of some sort brought in (for example, a specialist in a particular topic, an outside CPA firm or a care manager) so that creating a team culture is a prerequisite for optimal functioning of all client advisory relationships. A culture of teaming needs to be fostered from two distinct perspectives. First, the internal culture of each firm needs to be modified to incorporate an attitude of fostering teaming both inside and outside that firm. Second, as the team coalesces, a culture of teaming across all the individuals and firms comprising the team must be fostered.

> The benefits of purposeful planning and high level collaboration will prove a distinction to differentiate traditional advisory services and make their incremental costs worthwhile.

Cooperation. This means working together to the same end. It's critical to establish a common, client-centric purpose aligned with shared values. To do so effectively may require asking "Why?" five times. To the extent we aren't all working together, we're working against one another. Purpose is the guiding star that informs all of the other work we do together.

Coordination. This goes to the dynamic complexity of what we do when the team ebbs and flows with each transition the family goes through. Actions we take today, in our own silos, have different consequences over the short and long run and in different parts of the system. We must think strategically first, before implementing tactical strategies and solutions. Planning when different advisors aren't working in concert can never be optimal and will always detract from the value added. A wealth advisor who informs



the client's accountant of year-end information might negate the CPA's opportunity to pursue mid-year planning that he might realize but the wealth advisor didn't. An attorney who sends a trust to a wealth advisor or CPA just prior to year-end for tax compliance purposes may similarly obviate planning considerations. If an estate-planning attorney creates various trusts but doesn't communicate the details of those trusts, the wealth advisor can't optimize asset location decisions. Swap or substitution powers in grantor trusts are a valuable planning tool if monitored and used. But, who's monitoring these? While many will scoff at these and the myriad of other examples as something they or their firm would assuredly handle, the reality is that many teams overlook significant planning opportunities.

> Extraordinary leadership is demonstrated by advisors who stay connected to emotionally charged families of wealth, family enterprises and multidisciplinary professional advisor teams, while staying emotionally apart from them.

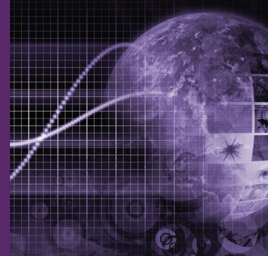
Communication. This requires both trust and respect. We must trust one another to communicate openly and honestly our perspectives and rationales and respect one another to remain open to being influenced by and learning from others on the team. Absent communication, there's no team. Few teams seem to foster this, yet it's so easy to do. Perhaps a key impediment to communication is that many advisors on every team view themselves as the quarterback of the team and don't see the need to communicate. Ego is a substantial detriment to fostering communication among the team, especially with advisors who aren't part of a particular team member's firm. If a particular advisor firm views itself as the best, the firm may not see a need to communicate. The reality is that the best firm (in any discipline) never has all the answers, and even the best of family offices will consult with outside advisors. But, every advisor sees every client matter from a different lens and gathering, and disseminating those varying insights is critical to optimal team functioning.

Creativity. When we embrace the four activities of collaboration above, and do them all well, we tap into and harvest the collective wisdom of the group, learn from one another and create solutions together that we simply couldn't create on our own. Collaboration is above all a learning experience, and when we do it well, the team becomes a learning "organization." The ultimate value-add for a particular client may be realized by creative applications of general planning techniques in a way that meets that particular client's objectives. It can take the form of a modification of an existing estate-planning technique. For example, defined value mechanisms are de rigueur in many wealth transfers for high wealth clients. But, if you ask a who's who of nationally known estate planners what mechanisms they use to accomplish this, each will have a different technique and different view of the law. Even sophisticated wealth management firms and family offices can infuse creativity by bringing outside best-of-breed advisors or those with expertise the firm may lack into the team, even for temporary consultations. But that outside expertise, not constrained by the primary firm's culture (as contrasted with the team's culture) should enhance the creativity of solutions if the 5Cs are fostered.

The commoditized less costly advisor services (for example, robo-advisors, tax preparation software and legal websites) can't and don't collaborate. They can't provide any of the 5Cs. So, the benefits of purposeful planning and high level collaboration will prove a distinction to differentiate traditional advisory services and make their incremental costs worthwhile.

Creating the Right Culture

Whether it be financial planning, the practice of law or the practice of medicine, professional services businesses exist in which the customer (or the patient) has expectations of relationships that run higher than those that are more transactional in nature; the purchase of a commoditized product, for example. If the seller of the



service values a long-term relationship with key clients, then it behooves that seller to first create a belief system to serve as the basis for the culture of the relationship. Intentional belief systems should drive the strategy of professional services, and the culture provides the rails on which the strategy runs. An intentional belief system provides the basis for culture design.

The theoretical model used in primary care medicine can provide a useful analogy to improving the culture within estate-planning teams. Urgent care centers deliver a form of primary care health care services. They are, however, built on the belief that they aren't in the business of establishing long-term relationships with patients. On the contrary, they're designed and built on a belief system that assumes there's a desired market that either isn't interested in a long-term relationship with a physician, or if one is valued, it won't be established with that provider. The expectation of the user is transactional in nature: "I need you when I need you, and I'll decide when that is." Consequently, the strategy emphasizes availability, convenience, affordability and ready access to required diagnostics and related clinical services. The culture of the underlying business model emphasizes the expectations of the target market as described above, with a specific focus on the patient experience. Users see providers of this type of primary care as being of equal value and "interchangeable" in the decision to "buy."

On the other hand, primary care, as delivered through larger, complex health systems, is designed and led based on a belief system that patients want and value a long-term, trusting relationship with a respected professional who'll advocate for their best interests as they navigate the vicissitudes of health care as delivered by a complex web of service and product offerings that don't have transparent quality, value and price. The strategy and culture of this business model differ markedly from that of the related, but different, form of primary care cited above.

The suppliers of a set of professional services must share a common belief system as it relates to the target user, and a belief system must, necessarily, translate to a strategy that serves a targeted, long-standing, valued relationship that benefits the seller and buyer equitably. In the absence of a shared belief system, it's impossible to establish a culture that will create a successful alignment of behaviors of those serving the clients.

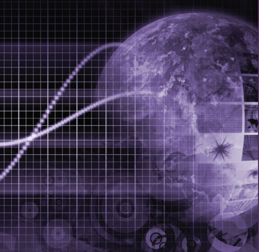
Applying these concepts to the world of estate and wealth planning is critical if planners are to serve their clients and thrive as practitioners in a period of increasing commoditization and high estate tax exemptions that negate the fear that drove many clients to the process. The culture that must be created spans two systems, the particular planner's organization itself, for example, a trust company, and the planning team that often should be built across different planning organizations, for example, a full-service trust company, an independent CPA firm, law firm and other providers. Both cultures must promote the belief system necessary to succeed.

It's critical for advisors and family members to think for themselves and for teams to negotiate a delicate balance between advocacy and inquiry.

The view of the attorney as a scrivener is analogous to the urgent care centers described above. That perspective is both demeaning to the role of attorneys, harmful to the results the client will achieve and destructive to the advisor team serving that client. This detrimental approach is fostered when another advisor, for example a wealth advisor, promotes his role as the primary planner, and tells the client, "I'll send you to your attorney when you need documents." The better approach is the model of the primary care, as delivered through a larger, complex system. That approach would foster a deeper ongoing relationship with the entire team. That's the approach that reflects a collaborative model infusing the client's planning with the 5Cs.

Face Time

What else can traditional advisors provide to clients that commoditized advisors can't? A recent article by financial reporter Kerri Anne Renzulli suggests that for financial advisors, face time is more important:



> Face time with clients has become even more essential as robo advisors and artificial intelligence encroach on financial planners' turf ... Some advisors seem to have learned how to finesse these talks better than others. A recent study identified a subset of advisors who outshine their peers when it comes to business success and client satisfaction because they were gifted at handling tension to forge deeper connections with clients.[1]

This is no different for estate-planning attorneys, CPAs and other advisors. But, consider how much more robust and beneficial each advisor's face time could be if it was founded on a collaborative team effort. Consider how much deeper each advisor's relationship could be if the members of the planning team shared information that each advisor gleans from the client.

All advisors should focus on developing not only their own firm culture to operate better internally but also the skills and sensitivities to create a team culture that can extend across disciplines and firms to encompass the entire team.

In fact, these critical skills can be learned. Bowen Family Systems Theory[2] teaches us that all relationship systems are governed by an insidious emotional process that operates automatically and often subconsciously. When anxiety rises, people assume predictable postures and patterns that help reduce the tension temporarily, but don't ultimately resolve it. When conflict ensues, we criticize and blame one another, argue and fight and compete with and try to change one another. When we grow tired of it, we change the subject or stop talking to distance ourselves from it or cut it off entirely. We have all the answers, dominate or do all the talking, over- or under-functioning in a reciprocal fashion. Often, we talk behind one another's backs, worry about a third person, inject ourselves into conversations in which we don't belong or bring others into situations in which they don't belong. Extraordinary leadership is demonstrated by advisors who stay connected to emotionally charged families of wealth, family enterprises and multidisciplinary professional advisor teams, while staying emotionally apart from them. They bring a calm presence to the chaos and are well equipped to differentiate between the interests of individuals and groups, as well as between well thought out guiding principles and emotional reactivity or responsiveness.

Not everyone is well-equipped or adequately trained to recognize and manage an emotional process. CPAs and attorneys have a more difficult time addressing this than wealth advisors, insurance consultants and others for two reasons. First, their billing structure is different. Unless astute clients grasp the reality of how each advisor bills, paying for what they need and use in terms of services, whether hourly or as an investment management fee to a wealth advisor, most clients will be unwilling to give their attorney and CPA the time necessary for proper face time, putting these advisors at a distinct disadvantage to the wealth advisor on the planning team. But, collaboration can resolve this for the advisors billing hourly. Other advisors can, as noted above, deepen their relationships with the client by harnessing the additional information and insights teaming can provide.

Estate planners and CPAs too often struggle to compete while billing hourly, and clients too often misunderstand what they're paying for with the bundled consulting they receive from many wealth advisors. This results in those clients unfairly judging their advisors billing hourly or in a manner that requires direct payment, such as estate planners, in contrast to wealth advisors or insurance consultants. This can harm the end result for the client, and even the members of the professional advisory team.

Say-Do Gap

How can advisors demonstrate to clients the benefits of real planning? "These planners gathered real-time insights into a client's behavior and looked for areas where stated motivations and actions conflicted. Then

they called their clients out on it—in a nice way—to help them discover what was driving this mismatch."[3] This is a less costly step that less sophisticated commoditized advisors can't provide. But, for many clients, not merely ultra-high-net-worth clients, important gaps in planning will be missed if the CPA and attorney aren't at the table.

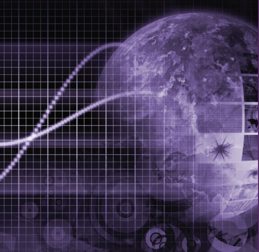
The attorney and CPA must be given appropriate latitude to do this, or critical issues will often be missed. Few wealth advisors have the expertise in all allied disciplines to identify all critical issues. But, even the robust wealth advisor with a deep bench of talent faces another limitation on his capabilities that he needs to recognize to better help his clients. To succeed, wealth advisory firms, after reaching some level of mass in terms of personnel, need to forge a culture to better guide and advise their clients. They require some cohesive culture in their organization to assure that their teams really communicate and collaborate. But, that culture, a valuable attribute, subjects their services to an inherent limitation. The creativity needed to address some client situations may not be fostered in all instances by the very culture that makes that firm successful. There may be a tendency toward "group think." While overall, that's perhaps a valuable attribute to the wealth advisor and the client, it has a limitation in finding out-of-the-box solutions in some instances. It's critical for advisors and family members to think for themselves and for teams to negotiate a delicate balance between advocacy and inquiry.

There are two other intangibles that drive the need for wealth advisors, no matter how robust their skills, to actively involve other advisors. Clients are quirky. They tend to tell some advisors certain points and other advisors other points. For example, a CPA who's been a family advisor for decades may lack the sophistication and breadth of personnel to handle a client that long ago has outgrown her practice. However, she may well have insights from her long-term relationship with the client, the client's family and the client's business that no other advisor, no matter how large or sophisticated, will realize.

The Financial Planning Association released a study with Capital Preferences and T. Rowe Price on what makes some advisors more successful. Their study identified about 15% of client-facing advisors who outperformed their peers because they were adept at highlighting gaps between what a client says and what he actually does. Two concerns: First, it's doubtful, perhaps impossible, for those advisors to have identified all of the significant issues facing their clients, or even necessarily the most important, as their perspectives or skills, or both, are too limited without including other members of the planning team. Second, the scope of the study and perspective of wealth advisors are too narrow to provide the holistic planning most clients need. Advisors can give planners a holistic way to view clients' spending and saving behaviors. They can also help them spot discrepancies and biases those clients may have in how they view themselves or their finances. But, finances divorced from the legal structures, asset titles, tax planning and more can never be optimal. At best, they're valuable but incomplete components of a client plan. This approach, pointing out the discrepancies between a client's goals and actions (or more likely inaction) is a great approach for attorneys, CPAs and other advisors.

The antiquated concept of a team quarterback should be discarded for the holistic approach of a team culture providing a coordinated and integrated plan.

But, not every advisor has the finesse to handle the above approach. Consider the following comments: "…if you're not so great at 'say-do gap' conversations, there are other avenues successful advisors took to better understand their clients. Forming a strong bond with a client's spouse or partner early on was another area of distinction separating top-performing advisors, the study found. Those who spent more time learning about a partner from the onset reported higher client growth rates and a greater number of referrals and client recommendations." Now, here's the rub for estate-planning attorneys, CPAs and other team members who bill hourly for their time. The article continues: "Top advisors in the study spent 6.1 hours, on average, working to understand a client's spouse in the first year of



the relationship. Average and low-performing advisors spent only 4.9 hours and 3.9 hours, respectively."[4] Let's assume an estate-planning attorney bills $500 per hour. That would suggest that to create the better caliber relationship akin to the successful wealth advisors, and to implement the "say-do gap" approach that seems applicable to all disciplines and valuable to clients, the attorney would have to bill the client more than $3,000 for the meeting. That cost wouldn't include preparation for the meeting or a follow-up letter or memorandum summarizing the meeting, which is common. Many clients will balk at this, and wealth managers too often commiserate with client complaints about the costs charged by lawyers. But, is that fair or reasonable? No. It's detrimental to the client and ultimately to the wealth advisor, given the competitive trends challenging wealth advisors commoditizing portions of their services, such as robo-advisors and artificial intelligence. There's a better approach for advisors and clients: collaboration.

> Too often, there's a presumption that a "wealth advisor" is a monolithic concept, but it's not.

Fees and Costs

Assume a wealth advisor charges an all-inclusive fee of 1% of assets under management (AUM). For a client with $5 million AUM, that's $50,000 per year, year after year. Assume that the client could procure other investments for a cost of 40 basis points, or $20,000. What's the client receiving for the additional $30,000? Leave aside the quality of investment advice and whether the higher cost wealth advisor is providing adequate alpha for the incremental fee. If the average advisor, based on a recent article by financial planning expert Michael Kitces,[5] spends 10 hours a year giving advice to clients, at the same $500 per hour fee used above (this ignores the question as to whether the staff attorney, CPA or other advisor on the wealth advisors' team is of the same caliber as the outside advisor who would bill for time) the amount charged by the CPA or attorney would be $5,000 ($500 x 10). Is there a disconnect here? Yes, but it isn't primarily in the fees charged or that different advisors use different fee models. The real focus should be the value added. If the wealth advisor creates and fosters a collaborative team of advisors that provides a more creative and holistic result, that may be a benefit that well outstrips whatever the differential is.

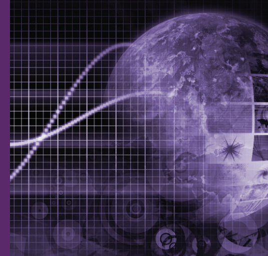
Teaming and Added Value

The disconnect is in the lack of teaming and the 5Cs. Too often, each advisor on the client's "team" (in quotes because too often it's a team in name only) pursues his agenda (or his firm's agenda), and not the client's agenda (you can disagree, but the number of client planning fiascoes due to disjointed and incomplete planning is significant). Too often, each advisor belittles other advisors rather than collaborates with them. What's the solution? What steps can be taken, and how can the team as a whole, not just a wealth advisor, embrace the "say-do gap" conversations and better understand their clients?

All advisors should focus on developing not only their own firm culture to operate better internally but also the skills and sensitivities to create a team culture that can extend across disciplines and firms to encompass the entire team. In this manner, whatever the composition of a client's planning team, a culture promoting the 5Cs across all boundaries can facilitate true collaboration and better client results.

Client teams can be incredibly varied, and every advisor on the team needs to recognize the variability and that each member of the team may at different points in the planning add essential insights. Further, the antiquated concept of a team quarterback should be discarded for the holistic approach of a team culture providing a coordinated and integrated plan. Team members at different points in time might include:

- Wealth advisor;
- Trust officer;
- CPA;
- Estate-planning attorney;
- Corporate or other attorney/specialist;
- Life, disability or long-term care insurance consultant;
- Family business consultants and leadership coaches;
- Property, casualty and liability insurance consultant;
- Archivist, appraiser or consultant addressing collectibles;



- Care manager; and
- A range of other potential advisors, depending on the client's circumstances.

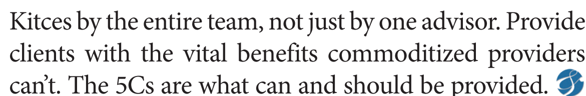
Variation in Advisors

Too often, there's a presumption that a "wealth advisor" is a monolithic concept, but it's not. A small local wealth advisor may be outstanding at providing a personal touch relationship that a particular client covets. That same advisor will likely have less depth in terms of estate tax expertise or business succession planning skills than will a large national robust wealth advisor/trust company. The larger counterpart may have a range of ancillary services. Neither is necessarily better than the other for a particular client. Rather, it's how the skills and capabilities of the particular wealth advisor mesh with those of others on the team that's critical. That cross-team culture fostering the 5Cs is the factor that will determine success.

For example, the client's estate planner may be a practitioner, who because of the dramatic increases in the estate tax exemption in recent years (more than $22 million per couple in 2018), may not have many clients for whom she completes sophisticated wealth transfer trusts (for example, grantor retained annuity trusts, note sales transactions). That doesn't suggest the removal or demotion of that attorney on the team but rather that other advisors (for example, a large national CPA firm with a broad high-net-worth practice and/or the wealth advisor of a large firm with significant expertise) supplement the skills the attorney can bring to the fore. In other instances, the roles may be reversed. The advisors need to relinquish the useless concept that they're the quarterbacks, that there are fixed roles for each to play or that one particular advisor has a lock to deliver planning ideas in general or at least as to his discipline. Client circumstances, tax laws and advisor capabilities all vary. But, it's the coordination of those skills across the team that will ultimately provide the best results for the client and the most value-added relationship from the advisor.

Establish Deep Relationship

Many advisors worry about the risks posed by commoditization of their roles and services or their being the team quarterback. The key to the security of the client relationship is establishing the deep relationship identified in the Financial Planning studies by Renzulli and Kitces by the entire team, not just by one advisor. Provide clients with the vital benefits commoditized providers can't. The 5Cs are what can and should be provided.



Endnotes

1. Kerri Anne Renzulli, "Confronting clients makes them like you more. Really," *Financial Planning* (Oct. 5, 2018), *www.financial-planning.com/news/fpa-study-advisors-who-confront-clients-about-poor-money-choices-are-more-successful*.
2. "Bowen family systems theory is a theory of human behavior that views the family as an emotional unit and uses systems thinking to describe the complex interactions in the unit. It's the nature of a family that its members are intensely connected emotionally." *See https://thebowencenter.org/theory/*.
3. *Supra* note 1.
4. *Ibid.*
5. Michael Kitces, "Why 50 clients is the new 100," *Financial Planning* (Oct. 5, 2018), *www.financial-planning.com/news/how-many-clients-prospecting-or-referrals-is-best*.

SPOT LIGHT

Heads Up

No Ball Games by Banksy sold for HK $312,500 at Phillips 20th Century & Contemporary Art & Design Day Sale in Hong Kong on May 26, 2019. A signature Banksy work is easy to spot, with fans of the anonymous street artist's blocky, spray-painted grafitti works waiting with bated breath for the next piece to pop up. A recent stunt by the artist included his own artwork shredding itself as soon as it was sold at a Sotheby's auction in London.