

## Is it wise for HNIs to manage their own wealth?

by *Rajmohan Krishnan, 27th Feb, 2017*

■ Wealth Planning

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A couple of years ago, a client with a 60-crore portfolio came to us. Till then, he had managed his portfolio himself with the help of multiple Wealth Managers. But he was feeling stretched and no longer on top of his portfolio. Now that he had accepted the role of the CEO of a Section 25 company, he wanted us to take charge of his investments and set things right.

It took considerable effort on our part to achieve that. Since he was travelling all the time and working long hours each day, we kept his involvement to a minimal. To the extent that when one of his dead investments – a house – was sold, all he had to do was turn up at the Registrar's office to sign the papers. Meanwhile, his company had grown admirably. Our crowning glory was his admission that he couldn't have dedicated himself to his company if he had been constantly worried about his investments.

Why did this person decide to create and nurture his own portfolio? Because doing so offers payoffs:

- It eliminates the anxiety of hiring an unproven person – somebody whose expertise as well as intentions are suspect
- It's a new challenge – for a person used to success, the intellectual kick one gets out of managing a complex task well could well be irresistible
- As a corollary, it allows the client to research new areas – an exhaustive pursuit which is accompanied by the joy of learning. For instance, the client meets a diverse set of people and engages in enriching conversations

Having said that, let's look at the reasons why an HNI client needs a single, committed wealth manager, preferably a Family Office Investment Advisor (FOIA):

### *1. Committed expertise (Can committed expertise be overlooked?)*

An HNI client needs a dedicated FOIA for the same reason that he needs a chauffeur. That decision has nothing to do with whether or not the client knows how to drive. It's all about leaving the chirping to sparrows and the roaring to lions. A chauffeur knows all the optimal routes, traffic trends, detours, newly-installed speed-breakers etc. And if he is responsible, he will treat the expensive automobile with a lot more reverence than a person who can buy 200 of them! Moreover, if you are involved in an accident while driving, you will not be given the benefit of doubt – society tends to be biased against the rich. So it makes sense to let a driver drive your car and experts manage your investments.

Meanwhile, you are in the back seat getting important work done.

### *2. Lag in skill acquisition (Will the lag in skill acquisition cause losses?)*

If I were to learn design and coding today, I would definitely launch a perfect website for my company in two years. But I'd rather use that time to utilize skills in which I excel. The same is even truer for investments which are fraught with unnecessary sophistication and hidden dangers.

### *3. Emotional distress (Can one's own money be invested without emotional distress?)*

Market movements like the ones we have experienced since the turn of the century can leave any investor feeling helpless and lost. After all, even a client with a 500-crore self-managed portfolio seldom has visibility only into their own investments, making it difficult to determine their relative stability. It is understandable that many HNI investors can be impacted by the opinions of bearish mavens. Succumbing to emotions and panicking is commonplace.

Dedicated FOIAs, however, have their ears glued to the ground, 24\*7. Not just for a few hours each week. They operate on strong fundamentals and find broader insights from exposure to multiple portfolios. Quite often, they anticipate market cycles. For instance, when the Sensex dropped from 30,000 to 23,000 last year, three of our clients together saw a considerable dip in their portfolio value. But they were convinced that their money was in deft hands and we daresay their peace of mind remained more or less intact.

Any FOIA worth his salt knows you, your family and your needs. So he understands the significance of your investments without the handicap of being emotionally compromised.

#### *4. Surprising perks (Can the FOIA offer fringe benefits?)*

A few months ago, I came across an exhibition of photographs taken in the 19th century in an art gallery. It was a heart-wrenching collection of elephants being captured, of those majestic animals being transported in a goods train under the hot sun, and of some of them dying in the process. My rational brain saw an investment opportunity in this collection. Meanwhile, my emotional side identified a client who cared about ecological issues and I felt that he might be able to use this collection to remind everybody about the importance of protecting the diversity of life on our planet. I called him right away and he mirrored my thoughts.

In short, when a wealth manager really knows you (which is true for an FOIA), you get another pair of eyes watching out for your interests.

#### *5. Distrust mitigation (Will having multiple wealth managers amplify distrust?)*

Like our featured client above, many HNIs approach us after attempting to manage their portfolio with the assistance of multiple Wealth Managers. Over serious coffee discussions, the client gets half a dozen disparate advices from half a dozen wealth managers. What's more startling is that they often base these advices on the client's own view of the market. "Think we're headed south? Here's a mutual fund for you." Trusting each advice becomes untenable for the client.

The deeper problem surfaces during a crisis. Clearly, no client will share his most private matters with every wealth manager. Or even one of them, knowing that none of the wealth managers is paid directly by him and they are therefore obligated to be loyal to their employer alone.

Take for instance our client who resided in a north Indian small town where news travels fast. He had already separated from his wife and wanted to file a divorce. Before that, he needed to move his money into a Trust, discreetly and quickly, lest the move be pre-empted, causing him substantial financial losses. Our empathetic expertise came into play. Our client had to worry neither about leakage of news nor about sloppiness in funds transfer.

In short, opting for a trusted FOIA is not about whether you can manage your own wealth but about whether you should. It's about the importance of operating at your peak productivity. It's about whether you should ruin that perfect holiday sunset by checking market movements. And most importantly, it's not about giving time but the price you pay for not giving this important task sufficient time.

A monthly or bi-monthly review is all it takes really when you can trust your Family Office Investment Advisor. Are you there yet?