

IndianaBusiness

Wealth Management

What it is and why you may need it.

by Shari Held

YOU'VE WORKED WITH a financial professional. You have a portfolio and a financial plan and you're following it. You're all set. But are you sure? You just might be short-changing yourself if you haven't investigated working with a wealth manager.

"Wealth management, particularly at Old National Bank, is a high-touch, high-service approach to managing all things financial for our clients," says Jeff Jackson, divisional sales manager, wealth management at Evansville based Old National Bank. "In our world, the team is quarterbacked by the client advisor and that client advisor has at their disposal product specialists in ... traditional banking products, insurance, mortgage products and retirement planning products, both wholesale and individual level."

There are different levels of wealth management to accommodate clients' individual needs. And offerings often differ from company to company.

"Wealth management



Financial Leader

A wealth advisor works with experts on investments, banking, insurance and legal issues.

encompasses the financial planning aspect, investment management aspect, estate planning and even doing what we call a 'family office' where the wealth manager takes care of all the client's financial problems

or situations, maybe obtaining mortgages or loans for them and paying bills," says Edward "JR" Humphreys, managing advisor, BKD Wealth Advisors.

Based in Springfield, Missouri, BKD manages \$1.6 billion throughout the Midwest and more than \$200 million in its Indianapolis office.

"A wealth advisor is going to be able to work with a team of experts on liabilities, banking, insurance, work with a client's attorney on issues such as power of attorney and wills as well as the investment piece of it," says David S. Alexander, private client advisor for Wells Fargo & Co.'s Indianapolis office.

"If it is an a la carte approach, what ends up happening is that the left hand doesn't talk to the right hand and the solutions aren't necessarily what is best for the client. They all really need to be coordinated. Organizations that can provide a multitude of services to their clients are going to have the competitive advantage."

Headquartered in San Francisco, Wells Fargo manages \$250 billion nationwide and \$2.5 billion in Indiana alone.

Defining “wealth.” You don’t have to have to be a Rockefeller to secure the services of a wealth manager. “A lot of wealth managers will advertise that they only work with portfolios of \$1 million or more, but in this business, there are no hard and fast rules when it comes to taking on clients,” Humphreys says.

Potential counts for a lot. Jackson refers to young professionals as the “emerging affluent.” “On paper they might not look like a traditional wealth management client, but we recognize that over time their financial picture is going to change pretty substantially,” he says. “And we also recognize that if we don’t develop those relationships today, it becomes much more challenging and more expensive, quite honestly, to develop those relationships later. Generally the level of loyalty is there when the relationship is developed early.”

Planning for the long term is helped by a long-term relationship. “Really the younger the person starts planning these things, the better,” says Robert Scott, senior vice president and head of wealth management for Merrillville based Centier Bank. “If you don’t have goals, you are not going to get there.”

Even if you aren’t a doctor, lawyer, CEO or future recipient of a hefty inheritance don’t rule out working with a wealth manager. “We certainly focus on clients with \$1 million or more, or the potential to have \$1 million or more, Scott says, “but we are a community bank and we work with people with

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—J.R. Humphreys, BKD Wealth Advisors

all sizes of wealth.” Centier’s wealth management group is responsible for approximately \$480 million and handles about the same amount of assets in its brokerage area.

Covering complex issues. “We do have some minimums,” says Rod Coleman, senior vice president responsible for overseeing wealth management for SYM Financial Advisors. “But we look at it on a case-by-case basis. What it mostly means to us is the level of complexity—not administrative complexity, but strategic complexity. For example, a corporate executive with four to six benefit plans at work—401(k), stock options, restricted stock and others.

Headquartered in Warsaw, SYM has offices in South Bend, Indianapolis and Midland, Michigan. SYM’s 12 wealth managers manage approximately \$750 million for about 550 clients.

Owning a business definitely ups the ante on the complexity scale.

“The number one service a business needs is a retirement plan,” says Scott. “If they already have one, we’ll

review it and make sure it is up-to-date and providing the best benefits possible—particularly for the owners. The second thing is succession planning.”

Determining whether the business is going to family members, key employees or will be sold to a third-party buyer is something business owners have to contend with in addition to family planning.

“The biggest mistake that I see is families and business owners wait too long before they start the process,” says Karen Mersereau, managing director/partner for Indianapolis-based Katz, Sapper & Miller, which handles assets of approximately \$550 million. “They really need to start as they are accumulating wealth. Once they already have a successful business or they’ve sold a business, many strategies that would have been available to them are no longer available, or they are not as effective. Say they have two children who are working in the business, for example, and they want to start giving them a quarter of the business in stock. Giving a quarter of the business

when it is worth \$2 million can be done without paying any gift tax, but giving them a quarter of the business when it is worth \$10 million cannot be done without paying gift tax.”

Focusing on retirement.

According to Humphreys, one trend in the industry is that as large numbers of Baby Boomers are beginning to retire, the focus of wealth management is shifting from the accumulation of assets to the distribution of assets. “It’s a different frame of reference for a lot of wealth managers,” he says. “We are seeing a lot of insurance companies coming out with products that will help pay an income and different financial firms coming out with products and services that help with the income distribution.”

Tim Scannell, president Scannell Wealth Management says whenever people reach a point in life where they have to make major decisions, that’s when they really need to seek out a wealth planner. And retirement is one of those times. “When you are in retirement, you’ve got more long-term planning issues, such as, how to protect your assets.”

Things to consider are how to pass your assets on to the next generation. Do you want them to inherit all at once or over a period of time. If you have a child with special needs, how will you protect the assets of that child? Should you set up a charitable trust?

“You are not just protecting your assets for yourself and perhaps a spouse, but

also for your children and even for future generations, or charities,” Scannell says. “That’s really the bottom line about wealth planning.”

Valparaiso-based Scannell Wealth Management manages nearly \$200 million for clients in Porter County and Lake County.

Caring for the client.

“A vast majority of this business is still done on a product-driven basis. People are buying products and not understanding how much they are paying,” Coleman says. “One thing that has created a lot of buzz in our industry is for folks to find out whether their advisor is acting as a fiduciary on their behalf. What fiduciary means is that the advisor is compelled to act in the best interests of the client. We get paid on a fee basis. That puts us on the same side of the table as our client.”

Last year a law was passed that requires people in the financial business to disclose whether or not they are acting as a fiduciary on the client’s behalf. A conflict of interest may occur when brokers or others are paid a commission for selling specific products.

“Planners and registered investment advisors have a fiduciary duty where brokers may not necessarily have that duty for the client,” Humphreys says. “Traditional brokers are more transaction-oriented, but they are moving away from that model and moving towards charging clients based on a percent of the assets they

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Tim Scannell, discusses his Scannell Wealth Management System.

manage.”

Scannell says there are no industry standards as how financial professionals get paid or charge clients. “The one thing we do to try

to address that is, we have full disclosure up front as far as how we get paid, where it is going to come from, what it is going to cost, so that if you do decide to work with us, you know up front.”

Finding the right advisor. Alexander says the second thing to find out, after finding out how an advisor is paid, is the products and services their

company offers. Do they offer comprehensive services? Is it all in-house? Do they have strategic partnerships with other folks? How do they work with the client’s accountant or the client’s attorney? What do they do about coordinating banking services? Because after all, if someone needs to make a purchase, is it better to liquidate investments and pay the associated taxes or might it be a better idea to borrow for a period of time? You should feel that the advisor can actually advise you personally on several of those different issues or have a team of experts available to do that.

You also want to look at an advisor’s designations—Certified Financial Planner, Chartered Financial Analyst, Certified Public Account—and the experience and skill sets of the others on the team. Also look at special services provided, such as how the information is presented.

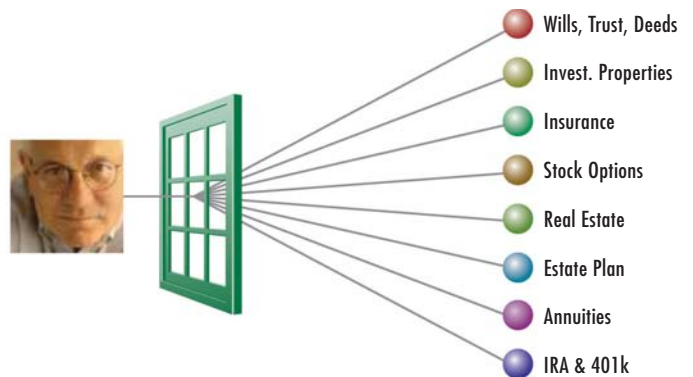
“There is certainly a lot more information out there, and it’s hard to sift through it all and determine what’s important and what’s not,” Scannell says. “If you have checking and savings and 401(K) and other investments, you get a lot of statements. Our Scannell Wealth Management System aggregates all your assets and all of your financial affairs into one system so that you can see everything together and it’s updated in real-time.” ■

Tim Scannell offers advisory services through First Heartland Consultants, Inc.

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