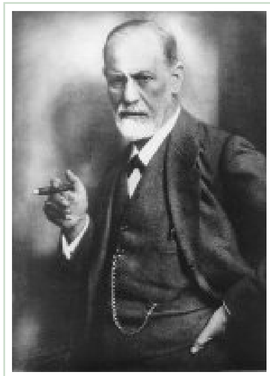
Blog on Wealth

WEALTHY INDIVIDUALS DESERVE BETTER INFORMATION. BETTER NEWS. BETTER INDEPENDENT ADVICE. BETTER EVERYTHING BECAUSE TOO OFTEN THEY ARE TAKEN ADVANTAGE OF BY THE FINANCIAL SERVICES INDUSTRY. YOU NEED SOMEONE YOU CAN TRUST AND THAT IS WHAT OUR BLOG IS OFFERING.

THURSDAY, OCTOBER 16, 2008

I NEED A SHRINK!



In financially tumultuous times like these, I find myself coming back to the advice of an old friend, Ken, in the wealth management industry. He used to ask all of his clients at one time or another to take a step back and answer one simple question: “Why is MONEY important to you?" It is a good question to ask yourself in a bull market. And it is an even better question to ask yourself in a bear market.

In the last 10 years, we have all been to the same party and celebrated more wealth then we ever could have dreamed about before. But now the party is over. The punch bowl from which we all drank from and came away feeling so good from...has been taken away. In this new climate with the market down lower than we ever imagined possible, we are all experiencing the same feeling. It is no fun to lose money, but we are all doing it on a daily basis.

So how do you cope when you are financially depressed? We all must re-evaluate and recalibrate our wealth. While this might seem like a daunting task, the good news is that there are people to help us. Sometimes you can rely on old friends, and some times a new one comes into your life at just the right time. Six months ago I attended a conference for wealth advisors sponsored by The Family Wealth Alliance in Chicago and met Gary Shunk. He is a wealth psychologist. When I first met him I thought to myself “what an interesting job this man does.” Six months later, with the market plummeting more each day, I find myself saying “what a necessary job this man has.”

Gary started his practice counseling people on how to deal with their wealth, the good and the bad and the in-between. While the majority of his clients were private investors in the Chicago area, more and more wealth management firms across the country are bringing Gary in to help counsel their financial advisors. Most financial advisors do not have experience with psychological issues. But today it seems like a skill that is not only helpful but almost essential when dealing with clients on the phone or in person.

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Hedge Fund Depression

About Randy and Jeff

Randy has over 26 years experience in wealth management as a top family advisor at Morgan Stanley, Montgomery Securities, and Bank of America Private Bank. Randy was managing partner of Exponent Capital LP a San Francisco based hedge fund.

Jeff has over 22 years experience in wealth management as a family advisor and a national manager of the wealth management businesses at Montgomery Securities, Bank of America Private Bank, and Presidio Financial Partners LLC.

Randy and Jeff are co-founders of Sanctuary Wealth Services LLC.

BLOG ARCHIVE

Recently I called Gary in his office in Chicago and asked him some questions about wealth, psychology and how we can manage the highs and lows of our relationship with money. Here is what he had to say:

JEFF: What is wealth psychology?

GARY: Money triggers emotions. Economic stress kicks emotions into high gear and financial relationships suffer tensions that disintegrate trust. A wealth counselor prevents unnecessary breakdowns in financial partnerships by organizing the emotional dynamics underlying money conversations.

JEFF: Why hire a wealth counselor to be on your team?

GARY: The greatest benefit to working with a wealth counselor is the emotional intelligence gained. Every interaction improves insight and changes behavior. This increase in self-knowledge and conversational ability leads to greater efficiency and more effective results in any planning endeavor. The side effect? More trustworthy relationships overall which improves quality of life.

JEFF: Why does money play such an important role in our lives?

GARY: There is no RIGHT answer. Everyone has a relationship with money formed by a complex constellation of values, virtues and experiences. So, let’s change the way we think about the question. Explore the many ways money is important to our lives and find out where the conflicts are. Why is money important to me as an individual vs. how is money important to me as a father? There’s an immediate conflict already because my daughters and wife don’t understand why my next car needs to be a Lexus IS F. To creatively resolve this conflict I’ll probably get the GS Hybrid.

Living in America are my ideas about my money different than if I lived in China? How does my culture affect my ideas of how important money is? How would I be different if I had all the money I imagine I need vs. if I were poor and had nothing? By examining our inner lives along the categories that currently define us, we can discover a wealth of useful information about money conflicts that sabotage our success with financial matters.

JEFF: Who are your clients?

GARY: Families. Attorneys. Advisors. Individuals.

JEFF: What is their biggest concern today?

GARY: They feel anxious. Anxiety is a particular cocktail of emotions; fear, helplessness and anger. Add to that an undercurrent of speed.

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Don't know if we should laugh or cry

Hedge Fund Depression--The End of an Era?

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feels an urgency to FIX or CHANGE whatever they perceive is making them anxious. Right now, people on all sides of our current financial crisis are in a reactive mode -- making speedy decisions to FIX what's broken. Quick decision-making is risky. When in a reactive mode we often treat symptoms and completely miss the root cause. On the other hand, anxiety has its uses. Anxiety POINTS to vulnerabilities. It tells the brain a situation or person is unsafe or untrustworthy. Our current feeling of anxiety points to the weaknesses underlying the market, and in many cases, the lack of trust we feel in our financial systems and relationships. Our challenge is to respond to anxiety as a warning signal rather than to unconsciously react without aiming wisely.

JEFF: What advice are giving your clients to deal with this anxiety?

GARY: First, for the long term: My advice for this financial crisis is the same as when the market is booming and calm. We must not get distracted from the goal: to increase our self-knowledge and to concentrate on building trust. Second, for practical steps: When a crisis hits, weak spots and vulnerabilities are revealed. Therefore, crisis is a golden opportunity to build stronger financial relationships and to course correct your portfolio. Get real. Make lists of your thoughts and reactions. Determine where or with who you are experiencing troubled trust.

JEFF: What would be an example of a troubled trust?

GARY: Do you feel your advisor fully understands your risk tolerance level? Do you think your advisor is paying appropriate attention to your specific and unique requirements? Remember, at its best, the client/advisor relationship is an equal collaboration. Fix before you ditch. Talk to your current advisor first. Do not blame, but be clear and specific what you are learning about your risk tolerance and how you want them to respond.

You may be surprised what your advisor is capable of when you ask more of them. However, you may also need to leave. Interview your new advisor thoroughly before hiring or you'll be in the same position next time the market dips. Does the new advisor understand that you need someone WISE? Find an advisor capable of communication and willing to evolve with you as you learn about what YOU want to do with YOUR money.

JEFF: Thank you, Gary. I hope we can check back with you and get an update after the markets calm down.

at 6:08 AM

3 comments:

Anonymous said...

How do I find a Wealth Psychologist in my area?

October 17, 2008 8:23 AM

Anonymous said...

Great advice. Thanks for the post.

October 17, 2008 10:43 AM

Jeff said...

I just talked to Gary and unfortunately there is not an association of Wealth Psychologists for you to reference (yet).

However, Gary can refer you to colleagues in most of the major metropolitan areas.

I would contact Gary and let him refer you to a specialist in your city.

Gary's contact information is:

Phone: (312) 368-8484
gary@wealth-psychology.com

October 17, 2008 2:36 PM

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< > **Blog on Wealth**

You're right. Madoff is not a hedge fund and the ...

You're right.

Madoff is not a hedge fund and the lack of regulatory oversight by the SEC and FINRA will certainly be investigated, analyzed, and no doubt, criticized.

But the fund of funds, which are highly paid to seek out and analyze hedge funds and other investment opportunities for large institutional and high-net worth individual investors, are equally responsible.

Individual, high-net worth investors, endowments, charities, and other financial institutions, hired several fund of funds, including such heavyweights as Ascot Partners and Fairfield Greenwich, to analyze the performance, evaluate the operations, and examine the books and records of Bernard Madoff.

According to the Wall Street Journal, Fairfield Greenwich, a large, well-known fund of funds, placed more than $7.5 billion of client monies with Madoff They earned “64% of the $250 million in revenues they generated last year” from the Madoff relationship. According to the report, they were scheduled to receive an additional $135 million in fees this year.

There is plenty of blame to go around, but at the end of the day, the fund of funds, in my opinion, deserve the lion's share