The wealth service

IT'S NOT EASY BEING RICH. BUT IF YOU HAVE THE MONEY YOU CAN BUY A SIMPLER LIFE. ERIK BROWN REPORTS

"Once you start giving advice on anything to the high net worth market, you realise that they need you to think a little bit more laterally,"
David Alexander

Imagine you've just come into money – let's say £10 million. You have the cheque in your hand. What do you do now? The answer is probably to take it, laughing all the way, to the bank. It's what most of us would do. But would we be doing the right thing?

The problem here is the size of the sum we're dealing with. Look at it this way: £10 million invested at a modest five per cent pa would yield £500,000 gross – or, for the wage slaves among you, £1,370 a day, give or take a few coppers. But a current account in a high street bank may generate less than five per cent on the first £2,500, and less than one per cent on anything above that. Slap the cheque into your current account, and you're losing money from day one – and at quite an impressive rate.

Even if you're smart enough to invest your new wealth at five per cent or better, you'll pay tax at the higher rate on the income, so your yield is instantly reduced. Without quick and effective tax advice, you're once again losing money from day one.

This is, of course, an oversimplified scenario, played out here as a kind of introduction to the complex world of the super rich. (And, if you're still with me, you might like to ponder on the fact that for many of the super rich, £10 million is peanuts).

Imagine, now, that you have spent 30 years creating a £500 million fortune. You own houses, land and commercial property in half a dozen countries. You have cars, yachts, jets and employees scattered around the world. You have worked hard to spread your risk, investing in assets as wide ranging as diamonds and forests, and now you have to employ alternative investment managers to make sure that a slump in the price of diamonds is covered by a bet they've placed for you that the price of diamonds will slump.

We Brits are not given to lying awake at night fretting about the problems the super rich have managing their wealth. Our cultural history – rooted in feudal tradition – means that, if anything, the problems the wealthy face serve only to make the less wealthy a little happier.

But set aside the *schadenfreude* for a while, and you will soon appreciate that fabulous wealth poses daily intellectual and practical challenges.

Enter the wealth manager: a financial butler service for the startlingly well off.

The rich have always had access to financial advice at the highest levels of the British banking system. But the new breed of wealth manager is different: dedicated to making life simpler as well as more profitable for its clients.

And these are good times for wealth managers. Decades of tough financial regulation have reduced competition and a period of steady economic growth has increased the client base. Tap "wealth management" and Mayfair and St James's into Google and you'll quickly get an insight – if only from the job ads – into how active the market is for those who survived the shake-out.

Wealth managers come in all shapes and sizes. The banks usually have a dedicated wealth management team: Barclays, Lloyds, Coutts and UBS among them. Then there are the specialist boutiques.

Alexander Associates, which has offices on Piccadilly, provides something close to a whole-life service for its wealthy clients, offering everything from residential property search to investment management and healthcare insurance.

The Wissenbach Group, which operates from a country estate in Warwickshire and offices in Berkeley Square, focuses on entrepreneurs and highly-paid professionals such as FTSE 100 chief execs and partners of law firms: people whose net worth is in the £3 million to £100 million range.

David Alexander, founder of Alexander Associates, is the son of a doctor and sees himself more as a financial GP than a butler. Your GP, he says, is a trusted adviser who keeps your records, has your welfare at heart, has keen diagnostic skills and keeps up to date with all of the latest solutions.

The business, founded in 1995 with backing from J Rothschild, is practical and pragmatic, expanding over more than a decade to meet the needs of its clients. One of the company's services, for instance, is the collation of all of the paperwork related to a wealthy client's financial life worldwide. The documents are sorted, simplified where appropriate, scanned and then returned to the client in a single portfolio. It may be an administrative task, but it's incredibly useful.

Another apparently straightforward task is to collate all insurance policies – on cars, yachts, homes, assets – and to transfer them to a single policy. This simple housekeeping is offered alongside a complex range of financial, real estate, insurance, legal and tax planning services.

"Once you start giving advice on anything to the high net worth market, you realise that they need you to think a little bit more laterally," Alexander says. "So the companies that grew within the group were a response to the needs of the clients I was getting, rather than as any inspiration to build a group."

It seems to have worked. Alexander Associates has around 3,000 clients on its books, with about 1,000 of those seeking regular advice. Most of them are based in the West End.

The important thing, Alexander says, is to be passionate about the work you're doing. "You've got to love the subject," he says. "… there are too many people [in financial services] who are just treating it as a job."

Stefan Wissenbach says his business too is very different from those who are paid to churn financial products. "Our clients tell us our real strength is how we simplify the complex. We seek to bring clients to an understanding of what we call their 'magic number'. This is unique to each client and can best be described as the amount of money they need to be able to choose whether or not to work."

Once the magic number has been identified, the client has one of only two problems, Wissenbach says. He or she has either too much money or not enough. It's a good base from which to provide a process rather than product-driven financial strategy, and an example of the common sense some wealth managers can bring to the complex. It's a practical rather than an academic service.

Interesting to note, then, that both Wissenbach and Alexander worked their way up from the bottom. Wissenbach left school half way through his A-levels because he wanted to get on: before his school friends had left university, he was already the youngest manager in the financial services company Target Life. Alexander briefly sold pottery from a market stall in the Midlands, before joining NatWest as a cashier, moving to an insurance company and setting up his own successful insurance business.

ABOVE DAVID ALEXANDER OF ALEXANDER ASSOCIATES

RIGHT: STEFAN WISSENBACH OF THE WISSENBACH GROUP