Going After the Rich

As more and more banks join the chase for high-net-worth individuals, they had best be aware that business as usual won't cut it.

By Lynn Koller

Jerry Weiner, Robert Gunter and Nat Gorham live in different states, have had diverse occupations and have never met. But, they have much in common. They are all married, retired men with affable personalities and considerable fortunes to their credit. Each has a net worth of between $5 million and $30 million, none of which they keep under their mattresses.

Presumably, their accounts would be coveted by any bank, and thus their technical needs would be accommodated. In this decidedly unscientific survey, however, the results show that this may not always be the case.

Weiner
Atlanta resident Jerry Weiner, 50, is the recently retired chief executive officer of IPS-Sendero, a unit of Milwaukee-based Fiserv Inc. that provides technology and consulting services. Weiner maintains personal accounts at Charlotte, NC-based Bank of America, keeping minimal assets with the bank. The bulk of his wealth is invested through brokerage firm Morgan Stanley.

Weiner has a broker and investment adviser. He doesn't trade online or use Internet banking, other than to review a transaction occasionally. While he manages investment accounts, his wife handles the payment of household bills, printing checks through Quicken financial software.

Weiner says electronic bill payment has not been presented to them in a way that alleviates concerns about security and trust. He suspects, however, that they will pay bills online in the future.

What puzzles Weiner is bank's apparent lack of money lust. "The issue is, why don't people like me keep more of their assets at the bank?" he says. "They get more of my assets by demonstrating to me that they can give me the same level of service that my brokerage does."

Weiner says he spoke with a bank executive at his BofA branch about financial services and she handed him a business card, asking that he call her. He believes such action epitomizes banks' lackadaisical attitude toward client service.

"They ought to be giving me asset-allocation recommendations like my broker does," he says. "They don't even know who I am. In fact, they do things that are just downright stupid."

Ed Bambauer, regional managing partner for financial services at the Boston office of Andersen Consulting, says the firm recently conducted research on people with "investable" assets of $1 million or more.

"There's a big disconnect between the high-net-worth group and the branch people," Bambauer says. "They literally have difficulty translating the high-net-worth relationship with the transactional side."

Bambauer says that in addition to better customer relationship management, or CRM, capabilities, banks need two types of relationship managers for the wealthy: the hunters, who attract the clients, as well as a group of managers who meticulously cultivate the relationships.

Along with conventional functions, the cultivators teach clients about technology-based financial tools and how to use them in conjunction with professional advice on issues such as family wealth planning, charitable giving and tax law.

Matt Schott, senior analyst at Needham, MA-based TowerGroup, says his firm's research shows that when asked to identify their primary financial services institution, the majority of people in all asset sizes name their banks. But, when asked where they keep the majority of their assets, the answer is more likely to be an investment firm.

Weiner notes that he earned his living consulting and working with bankers. He has long advocated improved CRM in banking, but he's doubtful that significant improvements will be achieved anytime soon. "Banks are set up to deal with a mass of people," he says. "Unfortunately, they don't change the rules to deal with the [individual] customer. I'm not optimistic that they're ever going to."

Gunter
Robert Gunter, 70, and his wife divide their time between homes in Kennebunk, ME, and Tortola in the British Virgin Islands. The latter location is headquarters for his family business, Sunny Caribbee Spice Co., from which he retired as president.

For his personal finances, Gunter keeps small, transactional accounts with $395 million-asset Kennebunk Savings Bank and Fidelity Bank and international accounts with U.K.-based Barclays. The bulk of his assets are handled by an asset manager with a brokerage firm.

Gunter uses an Apple iMac computer and finds e-mail an invaluable benefit of Internet technology. He is evaluating Palm devices for wireless e-mail and, in general, is receptive to technology. Nonetheless, despite his openness to new systems and his extensive travel, he pays virtually all of his personal bills by check. And with the exception of insurance bills, which he does pay electronically, Gunter expresses little interest in Internet banking, Web-based account aggregation, wireless transfers or other banking wizardry.

TowerGroup's Schott says Gunter is not alone in his relative apathy toward personal finance technology, although the consultant believes consumer adoption of such offerings will increase as collaborative tools develop that the rich will find too useful to ignore.

Examples include portfolio optimization and stock-option analysis tools that bankers can use interactively with clients. A relationship manager and bank client can discuss complicated financial scenarios via telephone while both parties view and manipulate information online—for instance, mapping out sophisticated "What if" situations.

"There's some concern on the part of financial services institutions about compliance issues," Schott says. "I think over the next couple of years you'll see the use of some of these tools."

Gunter says that despite his healthy account balances, banks haven't exactly bent over backward to serve his needs.

"They've gotten so big that you're just a number and you're treated through a computer. If there's a problem, the banks blame it on computer problems," Gunter says. "Some banking practices are quite outmoded."

Bankers, meanwhile, simply may not realize the potential value of many of their customers.

"What these investors may have with the bank and what they have in total may be significantly different," Schott says. "It may not be that the bank can determine from looking at their total account relationship with the bank that the person has that much in assets."

Gunter complains that Barclays can be inflexible, while Kennebunk Savings—a fine bank with nice people—simply does not have the capacity for significant asset management. A relatively low-tech practice by the bank has lifted his spirits more than anything he has seen from the big institutions: thumbnail images of canceled checks in numerical order.

"This is a very neat, efficient improvement," Gunter says. "It really makes balancing my checkbook much simpler."

Gorham
Nat Gorham, 54, and his wife, Jan, are retired owners and publishers of Arabian Horse World, a magazine now headquartered in Cambria, CA. Mr. Gorham spends most of the weekday mornings and early afternoons managing his wealth from a PC and telephone on his Los Altos, CA, estate.

Gorham has been a BofA private banking client for many years. He maintains about 12 brokerage accounts, in addition to transactional accounts and a variety of investments. He uses ATMs often and has not stepped into the bank for more than two years.

Gorham uses BofA's online brokerage services extensively but only rarely uses his wireless device to buy or sell. Other than to check his balance occasionally, he does not use Internet banking, nor does he have any interest in Web-based account aggregation services.

Although he calls Silicon Valley home and is comfortable with a variety of technology, he does not use online bill payment. Instead, he manually writes out about 25 household checks per month.

"I have too many dumb fixed assets, and I like to remind myself how stupid I am," Gorham says. "Nothing better performs that task than paying the bills thereof each month."

Gorham makes clear that he views Web-based banking services as extremely valuable and often encourages others to use them. He feels his check-writing habit is simply a personal idiosyncrasy.

"It's my way of hitting myself in the head," he says.

He is probably not so idiosyncratic. Schott says overall adoption of electronic bill payment is only about 10% of bank customers. And wealthy retirees, considering both age and free time, may have even less motivation to pay online.

Gorham says BofA has served him well, providing astute asset-management advice and solid technological services. As a long-term resident of one of the richest pockets of real estate in the world, Gorham often helps the newly super-wealthy figure out that they need private banking services.

"There is a false assumption that people of high net worth have a good understanding of finance in general and personal finance," he says. "Nothing could be further from the truth."

He says most of the major players, such as BofA, J.P. Morgan Chase and Citigroup, do an excellent job for their wealthy clientele, both online and off. Bank technology has improved greatly over the past two years, he says, and those institutions that want to snare a significant portion of wealthy customers' assets should tap it to offer customized services.

Gorham's advice is straightforward and then some: "The banks should look at the client and say, 'What the hell do you need?'" In pursuing wealthy individuals, however, banks that have never targeted this market are sure to bump into a healthy contingent of competitors.

Tony Wiseman, formerly a senior vice president with Prudential International Investments and now a principal at Boston-based executive search firm Diversified Management Resources Inc., says private banking services and other firms that focus on high-net-worth individuals do a pretty good job today. Competing against them, he says, requires research and focus.

"Those entities that are servicing the high-net-worth people can keep doing what they're doing," Wiseman says. "The institutions that want to expand or maintain their client base must understand the needs of the market that they're trying to serve. What can you do for a person with $10 million?"

Wiseman says the wealthy are not looking for ways to do things by themselves—on the Internet or elsewhere. Their relationship managers should recognize and serve needs rather than pushing technology.

Where technological tools are warranted, clients need greater education on how they will benefit from using them, he says. "It doesn't take much knowledge to maintain a checking account," Wiseman says. "It does take knowledge to attain a financial goal."

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