

Downturn Drives Ultra-Wealthy to Peer Forums

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By Tom Stabile

Financial markets turmoil is spurring more ultra-wealthy investors and their family office executives to seek peer forums to hash out concerns and share intelligence.

While most of the evidence is anecdotal, the tough times appear to be encouraging more of the super-wealthy and their aides to huddle in members-only, confidential settings in order to secure reassurance, ideas, advice, and best practices knowledge about investments. The trend applies across the spectrum of industry definitions for “ultra-wealthy” investor, which vary from the broadest pools of those with more than \$10 million in assets to the most exclusive focusing on the families with hundreds of millions to billions of dollars worth of assets.

The economic downturn may be a factor in rising membership this year at investor-focused organizations such as Tiger 21, a peer-to-peer investment club with chapters nationwide, and the Institute for Private Investors, an international association for ultra-wealthy investors. It also appears to be strengthening participation – and dominating discussions – at groups catering to ultra-wealthy investors and their family office executives, such as the Chicago-based Family Office Exchange and the new Global Wealth Alliance forum at Northern Trust.

“What we see is more participation – more people showing up to meetings, more postings [in online forums],” says Ruth Easterling, managing director for member services at the Family Office Exchange.

Such conversations take place both among the “wealth owners” and their family office staff, though in the Family Office Exchange, the two groups generally participate in separate events, Easterling says. “We typically have seen over the years that where there is uncertainty, there is [a trend] of looking out for information, of looking for answers and solutions or reassurance,” she says. “There is a definitely an investment performance discussion and a testing of asset allocations. The other conversation is around risk on a lot of different levels.”

The downturn was also the dominant theme of discussions at the February 2008 meeting in Los Angeles of Northern’s new forum, which targets programs to executives of family offices, who in some cases are also members of the wealthy families. The group launched at a first meeting in September 2007 and the two sessions drew participants from about 25 to 30 family offices, says Shannon Kennedy, global director of wealth services for Northern’s wealth management group. The next meeting is slated to again take place in Los Angeles next February.

Meanwhile, Tiger 21's membership has "expanded significantly" in the past year, sparked by the financial slump, says Michael Sonnenfeldt, who co-founded the group in 1999 with Richard Lavin. Sonnenfeldt says the group, which charges an annual fee of \$30,000, now has nearly 170 members; its Web site earlier this year said it had 155. "The members who have joined in that time period have expressed a desire to get insights from others who are dealing with the same concerns about ... what's happening with their investments," he says.

Sonnenfeldt says there is increased complexity in the financial instruments in discussion this year, whether it is credit vehicles behind the mortgage crisis or products tainted by the municipal bond meltdown and auction rate securities scandals. "People are concerned about the security of their assets," he says. "These are very different issues than in the past, where your financial advisor would give you a good tip or a bad tip and they were either right or wrong."

The ultra-wealthy are even participating in forums outside of these types of organizations, says Stacey Haeefe, president of HNW, a New York-based strategic marketing firm that has tracked online activity among high-net-worth investors. "We see extraordinary participation among high-net-worth and ultra-high-net-worth individuals in multiple social networking sites online," she adds. "This is a group of people that tend to network even more than the rest of us."

While the forum discussions – from presentations to networking sessions – jump off from the financial turmoil, the topics can be esoteric. At the Family Office Exchange's upcoming fall forum, one session will delve into behavioral finance in a discussion to be led by Jackson Parham Jr. and Robert Mallernee, both managing directors at UBS. It will explore how investors typically react to financial downturns, and how members can analyze those behavioral trends to make better decisions regarding their own investments, Easterling says.

Another session will feature Mark Anson, president and executive director of investment services at Chicago's Nuveen Investments, discussing "an inside view of fee structures" in the asset management industry, which Easterling says will focus on how markets volatility affects performance-based investment fees. Another panel of family office executives will study the implications of globalization and environmental trends. And David Gergen, a veteran political analyst and advisor to two U.S. presidents, will address the impact of election-year issues, she adds. The October forum is expected to draw up to 350 members.

For the new group at Northern, the current plan is to schedule two meetings a year in the U.S., and it may add a global chapter in London, Kennedy says. While there is no strict criteria, membership is reserved for family office executives working for the most complex families in Northern's client base in terms of global reach, multigenerational breadth, and investment sophistication. "That typically lends itself to clients with more than \$1 billion," Kennedy says.

Doug Regan, president of Northern's wealth management group, chairs the meetings, which feature prominent speakers and peer networking opportunities, Kennedy says. Northern's wealth management group has a "top tier" that provides investment, custody, and other administrative services to family offices.

And at Tiger 21, the growth is expected to continue, Sonnenfeldt says. In addition to its 17 chapters in New York, California, Florida, and Texas, it is adding new ones soon in Seattle and Boca Raton, Fla., with Chicago, Houston, Phoenix, and Atlanta to follow. The chapters usually have five to 10 members. The current members control more than \$10 billion in assets.