

# 2 *The Right Side of the Table*

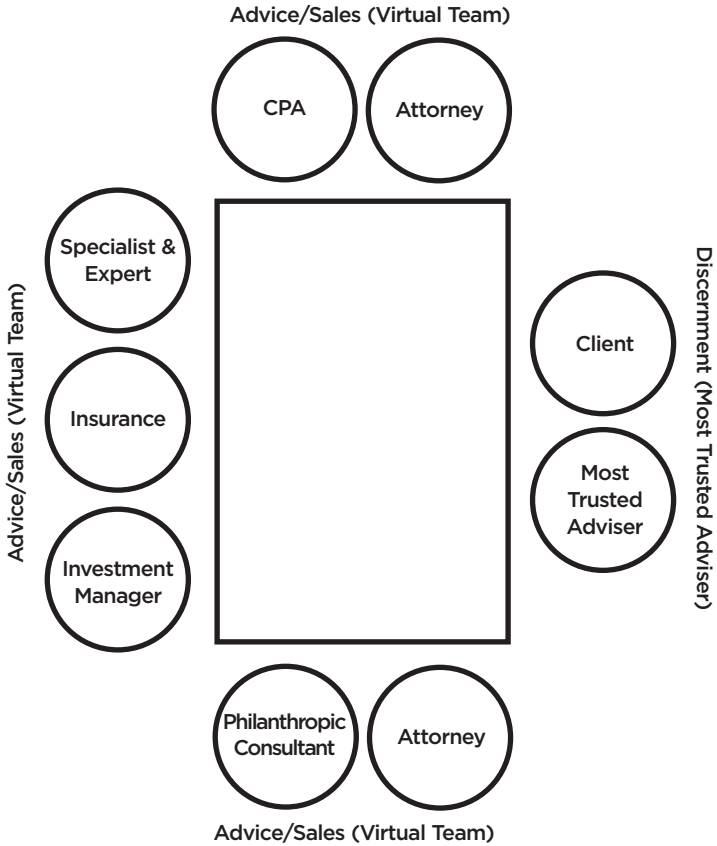
## **CHAPTER AT A GLANCE:**

*For as long as there have been tables in board rooms, advisers have jockeyed for the most powerful seat at the wealth holder's planning table. We use the table as a metaphor to stimulate deeper accountability about where a particular adviser should sit based on their business model. At the table of the future, all the seats will be up for grabs, but grabbing first or tugging hardest will no longer be enough to maintain your seat.*

A meeting is set. Advisers prepare. The wealth holder arrives. Everyone takes a seat and communication begins. Expectations, reactions, and decisions are all brought forth at the table. The participants surround this flat plane in a ritual of debate and communication. By nature of its shape, it carries hope of an even playing field. Yet it's a place where thought, ego, and motive can roll endlessly once in motion—little marbles of opportunity in search of their perfect resting points. The edges of the

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## The Table Diagram



field are lined with players, each with their own marbles. Some marbles are hidden in their pockets and some are placed right there on the table for all to see. The wealth holder has a few of his own.

This is our field of commerce in the wealth holder's planning life. All of the players are important, yet how can they work as a team, each in their own best seat, so that every wealth holder feels ownership and pride when the game is over? Welcome to the proverbial table. Where would you like to sit?

When you approach something with intent, you often pull a chair

**NET WORTH BRACKETS REFERENCED THROUGHOUT THIS BOOK:**

*Based on our personal experiences in working with wealth holders and the experiences of the thousands of advisers we have trained across the United States and Canada, we believe marketplace behaviors can be segmented into four categories:*

- **Emerging Affluent:** Under \$1 million or \$150,000 in annual household income
- **Affluent:** \$1–3 million or \$150,000–\$250,000 in annual household income
- **Emerging Wealthy:** \$3–10 million or \$250,000–\$500,000 in annual household income
- **High Wealth:** \$10 million or more or \$500,000 or more in annual household income

*Source: Paul G. Schervish, Ph.D., Director, Center on Wealth and Philanthropy, Professor of Sociology, Boston College*

up to a table. Family dinners take place at tables. The White House contains dozens of elaborate tables at which diplomats and strategists gather to protect our liberty. When a wealth holder wants to consult his or her advisers about their wealth, they come to the planning table.

In society at large, we do a dance about who gets to sit where. Dad sits at the head of the table during family dinners. At weddings and galas, the seating chart is meticulously designed to keep certain people together and others apart. Somewhere in time, someone decided that how a group surrounds a table was crucial to how people communicate.

We believe the table is an excellent metaphor for how relationship dynamics will play out as planning for affluent families evolves. It offers a single, visual reference that allows us to quickly assess motives, communication styles, compensation, liability, and even industry baggage. Your seat at the table is determined by many factors. Like a multi-layered interview process, you must assess yourself in certain arenas and carry certain behavioral traits in order to fill a particular seat.

## The Right Side of the Table

This book is about one company's vision of how the financial services industry is changing. The table metaphor illustrates who will be expected to sit in which seats under the relationship and team dynamics of the future. We can also use it to examine the wealth holder's changing cravings, preferences, and tolerances in planning and the manner in which planning ideas are served up. We can use it to stimulate conversation with our existing wealth holder clients and the teams we currently serve on. When a wealth holder hears a caution or an opportunity, the table metaphor can help place the information in context.

### THE ADVISER STYLES AND THE SEATS AT THE TABLE

As the right side of the table model becomes more prevalent, relationship and expertise will no longer be sufficient to secure your place at the table. For greater introspection about how behavioral and business traits will affect your seat going forward, review the Adviser Styles Grid in Chapter 4. It describes three key styles—the sales style, the advice style, and the discernment style,—and suggests that your behaviors and financial motivations directly influence your seat at the table.

### WHO GETS TO SIT WHERE

On one side of the proverbial table is the wealth holder. Directly beside him or her is the most trusted adviser. No one else is sitting on their side of the table.

On the opposite side of the table sits anyone operating in the sales style. Their compensation is based solely on transactions. This includes life insurance professionals who do not charge fees, and specialist/experts in deep technical disciplines who earn contingent compensation only if the deal is executed. It includes property and casualty, long-term care, disability, and any other insurance providers. It also includes philanthropic advisers if they come to the table representing a particular charity.

All professionals operating in the sales style take their seats opposite the wealth holder. This does not mean their topic is adversarial, it

simply means the wealth holder wants to keep an eye on their contributions. Everyone knows they're seated at the table with a motive of commerce. For the professional seated on this side of the table, every element of their behavior must dispel the perception of questionable motives.

At the two remaining ends of the table, the rest of the core team takes their seats. These advisers operate in the advice style. They are the money managers, lawyers, and accountants who serve permanent roles on the wealth holder's team. It also includes the wealth holder's chief financial officer, trust officers, and possibly a fee-for-service financial planner who serves a role not filled by the most trusted adviser. The advice style and its accompanying location at the table offers a comfortable resting point for advisers who enjoy an implicit role of trust on the planning team yet don't wish to take on the comprehensive leadership and accountability required by the most trusted adviser.

### THE TRUST FORMULA<sup>1</sup>

The Trust Formula, as introduced in *The Trusted Advisor*, has tremendous relevance to the right side of the table model. It allows wealth holders to evaluate trust in context of who should sit where at their planning tables. The Trust Formula provides a measurement of accountability for trust in relationships and a structure for wealth holders to evaluate trust in their existing, often longstanding advisory relationships. It is a mathematical formula that measures the four layers of behavior that make up trust.

The Trust Formula:

$$\frac{C + R + I}{SO}$$

**C = Credibility.** Credibility represents accuracy and completeness. It also accounts for the ability to anticipate needs and articulate insights.

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**R = Reliability.** Reliability represents repeated links between promise and action. It also includes communicating in the client's preferred medium of communication, and the frequency of contact.

**I = Intimacy.** Intimacy represents a willingness to discuss tough topics, and the ability to do so in a manner that is palatable and even welcome.

**SO = Self-orientation.** Self-orientation represents anything that draws focus away from the client and toward the planner. It quantifies the adviser's underlying motivation for being in the relationship. It includes a verbal tendency to spend too much time relating the client's stories to your own stories. Note that self-orientation is the denominator and is therefore significant to the total score. It has the ability to break down successful ratings in the other elements of trust. In this category, a low score means the adviser is not self-oriented.

The Trust Formula allows advisers to rate themselves in each category based on the score they believe their clients would give them. Each category receives a score of between one and ten. When using this exercise to help a wealth holder evaluate the existing planning team, here are some questions they can use to complete the assessment:

- **Credibility:** How deep and thorough is your adviser's expertise in his or her respective area? Factors may include length of experience, education, and professional designations. It may also include their effectiveness in past engagements. How good are they at their craft?
- **Reliability:** Do your advisers do what they say? Do they keep deadlines? How does the quality of their actual work product compare to their promises? Do they show up on time for meetings and complete tasks and projects without leaving loose ends dangling?
- **Intimacy:** Are the advisers driven by emotional honesty? Are they willing to bare their own souls a bit, allowing vulnerability to be mutual? Are the advisers willing and able to expand the

bounds of acceptable topics while maintaining mutual respect?

- **Self-orientation:** How confident are you that the advisers put your interests ahead of their own? Is their presence at the table solely financial motivated, or do they have a sincere desire to achieve results for you? How does compensation structure impact motivations?

### THE TRUST FORMULA AND THE SIDES OF THE TABLE

On the various sides of the table, certain aspects of the Trust Formula become particularly important. On the wealth holder's side of the table, intimacy is paramount. This is not the situational intimacy of a 20-year relationship. It requires an adviser to be incredibly skilled in the core traits of building intimacy. A key factor is the quality of discovery, or conversations, that occur at the beginning of the relationship. We offer more on this in Chapter 4: The Three Adviser Styles.

On the ends of table, where advisers are operating in the advice style, credibility and reliability are crucial. They are the core elements that define quality advice. In these seats, the adviser is being paid for their expertise and vantage point. The ideas and recommendations must be accurate, sound, and on time.

On the opposite side of the table, where advisers are operating in the sales style, a complete lack of self-orientation must be evident at all times. Because these seats are filled by specialists/experts who are compensated on contingency, there is a subconscious inclination to assume they are in it for themselves. They don't get paid unless their idea wins.

On the sales side of the table, as the industry evolves, clients will expect all fees and commissions to be fully disclosed. Thousands of advisers are already doing this, and you may find yourself in competition against someone who has volunteered the information to the wealth holder. Advisers will also have to justify the value of their participation in the transaction in correlation to the commission income derived. Confidence about the amount and form of your compensation is paramount. If you are at all self-conscious about it, the others at the table will sense it. It is worth noting that most

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trusted advisers receiving commissions for product transactions will be expected to provide equivalent disclosure.

### THE PLANNING HORIZON

The single most dysfunctional element of planning for affluent families is the tendency for advisers to move too quickly into solutions—the strategies and tactics for executing a plan. What was the underlying problem? We have found that while advisers are focused on eliminating estate taxes and directing more and more money to heirs, wealth holders are more concerned about what will happen to the heirs when the money's in hand.

We operate in an industry built on the use of tools: investment vehicles, insurance products, legal documents, and tax returns. When the wealth holder shows up for planning, advisers often measure success by the quality of the technical strategy they design. Yet at the end of the planning cycle, does the wealth holder feel temporary relief that the planning cycle is over, or do they feel a lasting sense of empowerment about their vision for the use of the wealth?

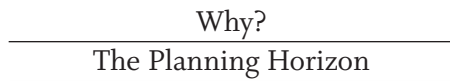
A couple who has inherited substantial wealth enters a conversation with tremendous angst about the impact of the wealth on their kids. Streams of advisers pass through the door eager to take seats at the table. They toss out strategy after fantastic strategy. The couple becomes frustrated and overwhelmed. Many of the ideas appear to be logical, sound business decisions, yet no action is taken. The solutions don't feel like their solutions. They don't clearly correlate to their perspective of the problem. Everyone at the table is so preoccupied with the beauty of the solutions, they forget to notice that the wealth holders haven't decided what they really want to solve.

“Everyone at the table is so preoccupied with the beauty of the solutions, they forget to notice that the wealth holders haven't decided what they really want to solve.”



The Planning Horizon is a simple decision-making tool with profound impact. It offers a central point for contemplation of any difficult topic. As such, it is particularly valuable for wealth holders who find themselves circling through the same stressful topics over and over again without achieving the satisfaction of forward progress.

The Planning Horizon represents a metaphoric horizontal line. Conversations that take place *above the horizon* surround the wealth holder's deepest and most personal intent for their wealth. Why are they planning in the first place? Conversations that take place *below the horizon* surround the strategies and products that can influence the achievement of the wealth holder's goals as identified *above the horizon*.



How?

The couple described above came to the proverbial table to work on their planning. They're terrified that the wealth will rob their kids of purpose, drive, or work ethic. What could possibly be done to protect against this? These questions are screaming for a thoughtful conversation above the horizon. Instead, they were answered with solutions below the horizon. We can put the money in trust. The trustee will carefully scrutinize every withdrawal. They'll only get a match on their current salary. They won't get the money until age 30, 35, or 40.

An above the line conversation uses authentic discernment-based communication thereby progressing altogether differently:

- What are you afraid of?
- What makes you fearful about that?
- Why is that?
- What would be your ultimate *positive* goal for how the wealth could enhance the lives of your kids?

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Through six or seven levels of questioning, the wealth holders arrive at a self-stimulated ah-ha. They understand what they want to achieve surrounding the on-the-streets impact of the wealth on their kids. The most trusted adviser now documents the thinking in writing and reviews it with the wealth holder. Once it is confirmed to be accurate and fully reflective of their goals, the advisory team comes together at the planning table. The couple's intent is shared with the advisory team who is then chartered to make it come to life using planning strategies.

Acknowledging that the ultimate underlying desires of the wealth holder are never found below the horizon is the power of

**ADVISER STORY: Note—***For all stories included in this book, the names of the wealth holders have been changed.*

*Chuck Ebersole, of Foord, Van Bruggen, Ebersole & Pajak in Sacramento, California, helped a client think more clearly using the Planning Horizon to facilitate their conversations.*

*“My client was 77 at the time and was worth \$30 million. He was referred to me by his attorney for some investment advice regarding his profit sharing rollover to an IRA. When we met, I told him I worked in a different way and wanted to show him how I approached planning. I began to explain the philosophy behind the Planning Horizon and drew out the diagram on a plain sheet of paper. I explained that traditional planning takes people below the line too soon, suggesting fancy strategies before there's consensus about the vision the strategies are supposed to support.*

*His posture began to change and he seemed to relax a bit. I think his guard went down because he sensed a solution to a problem he hadn't been able to put his finger on. Even though he had great advisers, there was no master vision driving his planning.*

*We talked about the fact that most successful wealth holders find*

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*themselves with a variety of strategies in place that were brought to them by different advisers at different times. He became very engaged in the conversation and voiced a concern that no one had a good handle on his overall plan, not even him. He admitted that his plan lacked vision and therefore wasn't a real plan, but rather a composite of fragments.*

*He was very curious about the possibility of having someone help clarify his broader vision for his wealth, and then coordinate all of his advisers using his vision to search out relevant strategies and tools. No one had ever offered to do that for him before. Plenty of people wanted to work with him below the line, but no one wanted to take charge of helping him design his legacy in non-financial terms first. He hired me to take him through a planning process using the Planning Horizon and the deeper questioning utilized in the discernment style. He made all of these decisions prior to discussing what he came in for in the first place, his \$1 million rollover, and he left my office pleased and relieved.”*

the Planning Horizon. Proper discovery above the horizon leads to effective solutions below the horizon. Einstein said that true creativity is in problem formation. He believed that if the hypothesis lacked truth or clarity, the science deployed to prove it was useless. If you're running around looking for the solution on your client's behalf, and they don't seem all that interested, take a step back in planning. Ask yourself, “What is the true problem at hand?” What does the wealth holder think the problem is? Who defined it—you or them? Be careful not to stop at the first or most superficial answer—in your mind or in theirs.

### **THE PLANNING HORIZON AND THE SEATS AT THE TABLE**

The Planning Horizon directly correlates to the dynamic that plays out at the wealth holder's planning table. Forward progress requires

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clarity. Clarity requires trust. Trust earns an adviser the right to sit at the table. When the ideas shared at the planning table solve a problem unique to the wealth holder's thinking, he or she will confidently engage in consideration and execution.

### THE UTOPIAN TABLE OF THE FUTURE

For so long the industry has taught young sales people to grab a strategic seat at the table. The corner represents greater intimacy. The facing side represents opposition. Taking the right seat moves you upstream. It raises your stature. Our work in this arena has revealed a shift in control. At the table of the future, the seats will be clearly defined by the wealth holder and the adviser will have to earn his or her right to take a particular place.

### EXERCISE:

Use the Trust Formula to rate how you are perceived by your best relationships. Remember that for successful advisers, the ability to achieve greater success or satisfaction from their businesses requires introspection around the finest details of execution. When you're doing 98 percent of things right, you have to dig deeper into your psyche and your pattern to work on that last 2 percent.

Draw a grid on a piece of paper. Down the left side, list five great personal or professional relationships and five that are poor or not as strong. Across the top, make columns for each of the four elements of the Trust Formula. Now rate each relationship in each category. Move down the columns, not across. Remember to score yourself as you believe the relationship would score you, not as you feel you perform. Be especially honest about your scores in self-orientation. Low self orientation scores show that you're in the relationship to give something. High self orientation scores show you're in the relationship to take something. Most relationships involve both. The goal is to identify the primary orientation.

### ENDNOTE

1. David H. Maister, Charles H. Green and Robert M. Galford. *The Trusted Advisor*, Free Press 2000. Used with written permission.