

FOX WEALTH ADVISOR FORUM™ INSIGHTS & TAKEAWAYS

BUILDING THE ADVISORY FIRM OF THE FUTURE - NOW



MAY 1-2, 2019 | THE JOULE | DALLAS, TX

This year's **FOX Wealth Advisor Forum** focused on how advisor firms could effectively evolve in the midst of great change. As an industry, we are seeing massive transitions across client demographics, talent, the skills needed to deliver an optimal client experience, and unparalleled technological disruption.

On May 1-2 in Dallas, nearly 100 advisors participated in a learning and networking experience that was rewarding and action-oriented. The fresh perspectives and actionable recommendations from industry experts and advisor member peers equipped participants to confidently build the advisory firm of the future.

ATTENDEE QUOTES

"Great for fine-tuning and updating skills of experienced wealth advisors who want to be more effective with clients and prospective clients."

"Great networking, outstanding venue, good return on investment."

EXHIBITORS

SEI ARCHWAY

SUMMITAS™

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On the Minds of FOX Members

PRESENTER



Alexandre Monnier
President,
Family Office Exchange

PRESENTER QUOTE

"We see families recreating the cycle of wealth by focusing on entrepreneurship, acting more like G1 owners in their approach to wealth."

—Alexandre Monnier



SESSION DESCRIPTION

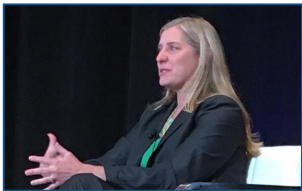
This session explored what's on the minds of members, including the changing needs and demographics of owners, trends regarding asset allocation, the family office of the future, and the shifting talent paradigm.

KEY INSIGHTS

- Families are transitioning from a focus on wealth to a focus on well-being (ex. an interest in preserving their values). This leads to a changing role for advisors with a greater focus on helping families think about risk (beyond wealth management), helping them manage the speed of change, becoming a thinking/strategic partner and supporting the emotional dimensions of wealth.
- Highlights from the 2019 FOX Global Investment Survey were shared:
 - Flat is the New Up: Even though performance is flat, investors are quite satisfied with a wide variety in returns across asset classes.
 - Market Outlook: 40% are uncertain, but 44% are modestly optimistic, no one is bearish.
 - Rethinking Asset Allocation: Family offices continue to question traditional top-down asset allocation (mixing a top-down and bottoms-up approach).
 - Reallocation of Assets: Families are allocating away from hedge funds and toward private equity (both funds and direct).
 - Increase in Direct Investing year-over-year.
 - 84% of families engage in direct investing.
 - Sources of deals are diverse.
 - Types include: 88% Real Estate, 71% Operating Companies.
 - As families progress generationally, they tend to shift toward a single advisor model, opting to retain discretion.
- Perspectives on the Ultra-Wealth Business, from the FOX MFO study:
 - Revenue growth has shown resilience to lower asset values.
 - Strong new client growth has contributed to revenue growth.
 - Low correlation between fees and asset growth may be a positive sign during volatility but pricing pressures continue as prospect fees trend down.
 - Firms shifted focus to marketing budgets compared to sales budgets.
 - Priorities have shifted from recruiting to leadership development in order to enhance the client experience and commitment to succession issues (aging employees), desire to increase productivity and steady focus on employee experience and culture.
- It is important for advisors to connect the dots to build the advisory firm of the future, investing in enabling technologies to support client experience, responding to new client demands and transitioning roles in response, as well as recruiting, developing, and retaining the right talent to support the new client.

The Growing Power of Women Owners

PRESENTERS



Deborah Jackson

Founder and Chief Executive Officer, Plum Alley Investments

Andrea Turner Moffitt

Author, *Harness the Power of the Purse: Winning Women Investors* and Co-Founder, Plum Alley Investment

Avril Westerman

Director of Investments, Westerman Interests, Inc. | Westerman Family Office

PRESENTER QUOTE

"There is a sea change going on around women investors, and great upside for advisors if you are positioned to take part in it."

—Deborah Jackson

ATTENDEE QUOTE

"Particularly interesting and timely topic and very well presented."

—2019 Attendee

SESSION DESCRIPTION

Women have become financial powerhouses exercising decision-making control over \$11.2 trillion of investible assets. Women investors from inheritors and spouses to wealth creators and wealth owners are taking a more significant role in managing their family's investments in addition to their philanthropic endeavors. We are also in the midst of a significant demographic shift with dramatic growth of women wealth creators given the entrepreneurial nature of the rising generation. In fact, women are starting early stage technology and healthcare companies at the fastest pace in history. Many of these companies are looking to solve some of the greatest challenges we are facing as a society. With these forces at play, the wealth advisor industry has a huge opportunity to better serve women investors while also ensuring women business owners are positioned to succeed. This session explored the opportunity to better serve women investors and hear directly from women who are taking leadership roles within their family offices. We also heard how they are considering investing in the future, having agency as an investor and advancing gender parity.

KEY INSIGHTS

- Women have tremendous economic power. Globally, women control \$20 trillion in wealth, and in the U.S., women are decision-makers for over \$11.2 trillion of investable assets. Yet, an estimated \$5 trillion of assets go unmanaged and 51% of women feel misunderstood by their advisors.
- Women are as financially literate as men, but less confident. Their risk tolerance varies depending on their generation and the source of wealth, with inherited wealth owners the least risk averse at 26%, and women wealth owners with spouse-created wealth the most risk averse at 38%. 32% of women who have created their own wealth reported being risk averse.
- Women want agency as investors; 90% of women want to invest in companies that promote social well-being and believe making a positive impact when investing is important. 77% want to invest in companies with diverse leadership, but women investors under-invest in women.
- Plum Alley was founded to support women and men who are interested in investing in women founders "making a difference in the world." One of their members, Avril Westerman, described how investing through Plum Alley helped her learn about early stage investing and the engagement it brings with founders. She described how exciting it is to hear from these founders about their work and how it made investing a more engaging experience.



Team-based Selling: How to Win More Business by Selling Together Effectively

PRESENTER



Michael Dalis

Author, *Sell Like a Team*,
Managing Partner, DRIVE
Sales Consulting, LLC

PRESENTER QUOTE

"Swing is that moment when the team are perfectly in sync."

—Michael Dalis

ATTENDEE QUOTE

"Nice layout in how to prepare for a prospect meeting."

—2019 Attendee



SESSION DESCRIPTION

Gone are the days of meeting a client for lunch, chatting about the firm's offering, and closing the sale over dessert. Clients today look different from those of the past. They make networked purchasing decisions by committee, with diverse roles, interests, and backgrounds. With access to more information and a greater ability to share it, they demand value, access, and alignment from their counterparts. Sales is now a team sport, and to win you must build and manage selling squads that work in complete alignment – not just during client meetings, but before and after, as well. In this session, author Michael Dalis shared the process of creating and managing selling squads that execute and win in every sales meeting or pitch. He offered a guide to create and organize selling squads that not only win, but win more frequently.

KEY INSIGHTS

- The seller-buyer interaction has changed. The seller now has broader client needs, revenue pressure, distributed resources and the buyer has new and more players, are networked, and facing margin pressure.
- Dalis proposed a five-stage "Build Process": Create > Organize > Practice > Execute > Regroup – to approach team-based selling and achieve success.
- In the **Create** stage, determine who from your firm should attend the meeting. Understand how many, what role they will play and, most importantly, what they bring to the discussion. Consider: interpersonal skills, complementary skills, client-specific expertise, and collective intelligence.
- Research shows that the team with the most women had the highest collective intelligence. Consider who the client is and what the team needs to bring to the table to best meet that client's needs.
- The team should **Organize** the discussion, planning the interaction and considering the performance goal, roles, potential challenges, and accountabilities of the team. Consider potential conflicts and how to manage those as well as developing a plan to gather feedback.
- The **Practice** phase is often overlooked by a selling team, but it is important to budget time to prepare as a team for a meeting. The team needs to put together a "game-day" plan, walk through who will cover which topics and consider having someone stand-in for the client during these practice sessions.
- "Swing", a concept drawn from rowing, is what happens when a team is aligned, and able to **Execute** their plan for a client meeting, anticipating questions, seamlessly adjusting in the moment in response to client questions or needs.
- Finally, it is important to **Regroup** to debrief the meeting and share observations, address follow-up actions, professional accountabilities, and potential development opportunities to improve.
- To enable the "Build Process" pay attention to Communication, Coaching, and Compensation.

Sparkling Effective Communication and Interpersonal Skills

PRESENTER



Rebecca Bales
Global Partner, Lumina
Learning USA

PRESENTER QUOTE

"Focus on behaviors to identify a person's style and see what you can adapt to build better rapport. It is important to pause, to create space, so you can adjust and connect."

—Rebecca Bales



SESSION DESCRIPTION

In this highly interactive and engaging professional development session, participants focused on communication and interpersonal skills that can be utilized to raise self-awareness around behaviors and personality. By exploring these key skills, they gained an understanding of how to better connect and interact with colleagues and clients.

KEY INSIGHTS

- Session was based on the [Lumina Spark](#) system and provided an interactive experience for attendees to identify their interaction and communication styles in interpersonal relationships.
- Blue characteristics: organized, observing, reliable, objective, evidence-based. A "blue" needs to have data before making a decision; keeps their office and meetings organized and is always on time.
- Green characteristics: intimate, collaborative, empathetic, empowering, accommodating. A "green" prefers one-on-one communications and cares about how decisions affect their team; greens trust people to do the right thing.
- Yellow characteristics: imaginative, creative, spontaneous, sociable, demonstrative. A "yellow" loves social opportunities and works best when ideas are flowing, and they are given the liberty to try new approaches.
- Red characteristics: purposeful, direct, bold, competitive, takes charge. Reds prefer concise, direct communications and will seek information as needed.
- One way to assess the style of another person is to "speed read" by paying attention to the individual's body language, choice of words, and tone of voice. A person's office environment can also provide clues to how they prefer to interact.
- Tips for influencing the various color types:
 - Provide BLUES with time to think and let them know about the security of the investment or opportunity. Provide agendas and pre-read materials in advance so they are able to prepare. Ask probing questions to understand concerns.
 - Develop trust with GREENS and understand they are operating on what is best for the family. Ask for their opinion and listen attentively.
 - The use of stories about how your solution has benefited others works well with YELLOWS. Help them understand their importance and ask questions about their future perspective.
 - Get to the point quickly with REDS. Ask them to summarize what they like/don't like about the proposal and be bold and confident about how this will benefit their goals.

Helping Families Navigate Opportunities and Risks in Uncertain Times

PRESENTERS



Sara Hamilton
Founder and Chief Executive Officer, Family Office Exchange



Vincent Hayes
Director of Membership Development, Family Office Exchange

PRESENTER QUOTE

"We are entering a new decade of unprecedented risk. Advisors can be crucial partners in helping families to manage risk and gain a sense of control."

—Sara Hamilton



SESSION DESCRIPTION

Major disruptions to the normal course of business are heading our way, and enterprise families will be uniquely challenged by unforeseen risks and opportunities. As trusted advisors to ultra-wealthy families and enterprises, our industry needs to understand how to have effective conversations to prepare clients for these looming disruptions. To address these challenges, FOX embarked on its 2019 Opportunities and Risk Study. In this session, Sara Hamilton and Vincent Hayes offered insights from the study, including how to help families organize risk and tools advisors can utilize to get smarter when engaging in important risk conversations with families.

KEY INSIGHTS

- The next decade requires managing the unexpected, from market disruptions, inequality and social unrest, to environmental issues, cyber-security threats, and geopolitical conflicts.
- Wealth owners respond to uncertainty in different ways. Business owners become concerned about industry disruptions, shareholders get nervous about dividend disruptions, family members feel differently about risk-taking, and entrepreneurs want to jump on new opportunities. Additionally, investors get worried about market volatility, parents are concerned about their children's future, and philanthropists want assurances about the impact of their support for the community.
- We heard about three wealth owners with different considerations around risk and opportunity.
 - **Aging G1 wants to retire, but feels G2 is not interested or engaged in the family business.** *This situation often triggers a liquidity event. Important to build a "bridged management team" and to serve as risk manager – ask questions that will prepare them for future alternatives.*
 - **The Patriarch/Matriarch won't let go of the reigns and support the next generation to lead.** *Introduce them to others who have made it through the transition. Get sibling buy-in, develop and communicate a strategy that is credible. Good advisors can serve as a catalyst for change – plant the seeds.*
 - **The family wants to focus on diversified opportunities given the risks in the core business. They want to co-invest with other families.** *Important to help them find people they trust – not every family makes a good partner. Get to know the clients' definition of risk and risk-taking. Help families explore minority ownership – what it means to give up control.*
- Advisors play an important role in helping a family address risk. Help the family evaluate the seriousness and the impact of risks (doing an objective risk assessment) and provide perspective on what other families are doing to address the challenges. Advisors can offer a range of alternative strategies to mitigate risks and advise the board as they make key decisions.

Preparing for the Global Talent Crunch

PRESENTER



David Satler
Senior Client Partner,
Korn Ferry

PRESENTER QUOTE

"In order for companies to reap the benefits from technological and productivity advances, they need to be sure to have the right talent in the right places."

—David Satler



SESSION DESCRIPTION

A major commercial crisis is coming, and it could cost nations and businesses \$8.5 trillion in unrealized revenue by 2030 – equivalent to the combined GDP of Germany and Japan. The threat: chronic skilled talent shortages. According to Korn Ferry, it will impact growth for businesses and nations as soon as 2020. By 2030, there will be a global talent shortage of 85.2 million skilled workers, with the knowledge-intensive financial services industry one of the hardest hit. In this session, we learned what this means for the financial services industry, what advisor firms can do to prepare, and examples of what industry leaders have done to mitigate the threat.

KEY INSIGHTS

- According to the latest research from Korn Ferry, the future of work is human, and we are facing a global talent crunch that will grow from a 3% labor deficit in 2020 to a projected 11% labor deficit by 2030. In the next 19 years, 10,000 baby boomers will retire EACH day. And younger generations are looking for different things from their work and from employers than older generations.
- Globally, Korn Ferry is forecasting a deficit of 85.2 million workers and \$8.5 trillion in economic losses. The U.S. is likely going to see the most alarming deficit. Across the Americas, we could see a labor skills shortage of 23.9 million with unrealized output of \$2.37 trillion by 2030. Similar shortages of 14.3 million workers and \$1.9 trillion are anticipated in the EMEA countries, with Asia-Pacific countries facing more significant labor shortages of close to 47 million workers and \$4.2 trillion.
- Financial and Business Services industries are anticipated to be among the hardest hit globally, with a forecasted labor skills shortage of 10.7 million workers by 2030, an unrealized output of \$1.3 trillion.
- The U.S. can also expect a surplus of mid- and low-skilled workers by 2030, providing companies the opportunity to boost skills and redeploy people.
- It is critical for companies to take action to address the coming shortfall by developing a plan to prepare their work force. Consider how you can be more agile in your response to market changes. Look at the talent you have and consider how you might retrain, upskill, and redeploy, creating your own talent pipelines.

Trends in Integrated Wealth Advisor Selection

PANELISTS



Wally Head

Vice Chairman, Gresham Partners, LLC

Drew McMorrow

President & Chief Executive Officer, Ballentine Partners

MODERATOR

Charles B. Grace, III

Managing Director, Family Office Exchange



SESSION DESCRIPTION

This session looked at the wealth advisor selection process from the perspective of families and advisors. The discussion covered trends in advisor selection as well as key elements driving the search process. What are families doing to identify the right advisors and what are they seeking? How are successful advisors attracting clients? Case studies and examples were explored to derive lessons learned by advisors and families.

KEY INSIGHTS

- Be aware of families that try to shortcut steps in the advisor selection process and coach them to stay the course as it leads to better outcomes for both the client and the firm. However, it is not uncommon to lose a search and for the client not to hire anyone.
- We are seeing a trend of clients wanting to understand cost at a greater level of detail than in the past.
- While it is important to lead with investment performance, great performance is just “table stakes” required to stay in consideration during the search process, but offers no guarantee of winning.
- We are seeing a greater presence of the next generation participating in the selection process, even in the final decision. This is great news for advisors as it reduces the likelihood of advisor turnover that often happens with generation succession.
- Advisor selection is often based on the “sizzling” new product/service and the chemistry between the family and advisor.

PANELIST QUOTES

“Families are sensitive to an alignment of values between their family and the firm they ultimately select.”

—Wally Head

“Lead with your table stakes capabilities and follow with what differentiates your firm”

—Drew McMorrow

“Client fit with your firm is as much your responsibility as the client’s.”

—Wally Head

“There is a lack of correlation between the amount of a prospect’s wealth and the level of their wealth management sophistication.”

—Drew McMorrow

Thematic Investing: Harnessing Artificial Intelligence and Data Science to Build the Portfolio of the Future

PRESENTER



Hardeep Walia

Founder and Chief Executive Officer, Motif

PRESENTER QUOTE

"Humans are creatures of concept. They like to express what they want. The hard part is figuring out how to act on that expression."

—Hardeep Walia

ATTENDEE QUOTE

"Brilliant guy. Interesting to learn about this topic."

—2019 Attendee



SESSION DESCRIPTION

The premise of thematic investing is seductively simple. Markets over the long-term are driven by earnings growth and thematic investing looks to identify long-term trends that are likely to drive disproportionate earnings growth in the future. Artificial intelligence, for example, isn't just about the next revolution of computing. It will change everything from how we communicate, to how we commute. An aging population isn't just going to inflate the health care industry. It will reshape everything from urbanization to unions. Figuring out how these trends play out in the global economy is a complex problem. This cutting-edge talk explained how data science and A.I. can be used to uncover the most important trends driving the economy and quantify the companies with maximum exposure to these trends, as well as explored how dynamic thematic models can be created and implemented in a portfolio.

KEY INSIGHTS

- The new gold rush in Silicon Valley is around data sets. What are they, how do you monetize it, and who owns it? Motif thinks data will revolutionize investing.
- 30% percent of retail investors are millennials. There is a lot of hype about the make-up of this market, as they are educated and diverse, but also poor. We can't overlook Gen X investors because despite the size of the millennial cohort, Gen X has more assets to invest. It is important to tailor your message/product to the market you are serving.
- One of the frustrations is that the investing world is focused on looking back – comparing 1-year, 5-year returns. What thematic investing does is look at things in the future that drive earnings growth. Humans come up with the ideas and the machines execute.
- Typically, firms do 6-8 months of research to understand a potential theme or basket of investments around a theme. Motif uses neuro-linguistic programming (NLP) and webcrawler-type technology to "suck up" all the data on a particular topic, and within two hours can articulate similar research.
- The data-driven approach can test human assumptions and find things that humans cannot. 90% of all data created by humanity has been created in the last two years. Only 9% of that data has been tagged by algorithms.
- In the future, asset managers are going to need a computer science degree in order to understand algorithms and where to find the data. Even when we build data-driven investment models, we still need humans to provide insights. It is very hard to replace human relationships and impossible to get tailored financial advice from a robo-advisor.

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