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WEALTH ADVISER

The Challenge of Aging Clients' Shrinking Assets

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By **ANNA PRIOR**

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Often many elderly clients have no choice but to draw down their retirement nest eggs, whether to maintain their standard of living or pay for costly health-care services.

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And this fact-of-life for aging clients has created a dilemma for many financial advisers: Should they drop their elderly clients if their assets fall below the practice's account minimums?

It is a tricky question for many advisers with long-time clients with whom they have built a personal relationship. While downgrading or even firing a client who ignores advice or drastically overspends can be pretty straightforward, lowering the level of service or even ending it for older clients can be difficult.

"Many of us feel loyal," says Tom Orecchio, a principal and wealth manager at Modera Wealth Management in Westwood, N.J., which manages about $1.6 billion. "They helped us grow our business so we just continue to do what we were doing for them, even though their assets are at a lower level."

Indeed, some financial planners argue that keeping a "smaller" client is just par for the course in the advisory world, a necessary cost of doing business.

Houston-based adviser Scott Bishop says he is currently helping a client in her mid-80s whose husband has Alzheimer's to navigate gaining power of attorney over all of the couple's assets. He has dropped his fees for her.

"She doesn't even live in town anymore and I am making zero dollars, but I felt the obligation to help her get it all done," says Mr. Bishop, whose firm, STA Wealth Management, manages $700 million in assets.

He added that he never fires clients--especially aging clients--because of minimums, choosing instead to make a decision on the front end whether to take them on as clients and then retaining that responsibility going forward.

Jerry Verseput, founding principal of Veripax Financial Management in Folsom, Calif., which manages a little more than $60 million, echoed that sentiment: "If you have older clients, eventually those assets will go down and then go away, so it's part of the pipeline of your business."

He notes that ideally, "if you do a good job for grandpa and he wills any money to the kids, then you become the adviser for the family," adding that it's important to make an effort to reach out to the kids and family.

Still, there is a question of fairness that crops up in these discussions, especially if certain fees or account minimums are waived for some clients, while other, more wealthy clients are asked to foot the full bill.

Those advisers who feel they have a duty to serve their aging clients with shrinking assets look to streamlining services or finding other ways to make their business more efficient. This way, clients still feel like they are getting the advice and value they want.

One example, says consultant Sam Ushio, is coffee clubs. An adviser can sponsor a monthly meeting over coffee where older clients can gather, hear presentations from the adviser, and share their experiences with others.

Not only does this allow for clients to get the benefits of advice and an added social component, but it also allows for the adviser to be more efficient with his or her time by addressing a whole group instead of clients one-on-one, says Mr. Ushio, who heads up the practice-management group for Russell Investments.

"It's all in the packaging," he says. "The clients will perceive it as an enhancement of value, but the advisers are actually decreasing their resource allocation."

Technology is also providing new ways to streamline business, with so-called robo-adviser software providing more automated investing platforms.

“Some firms have talked about downgrading accounts on to these platforms because they are less lucrative, but it’s still tricky because how would clients feel about it,” says Grant Easterbrook, an analyst at consulting firm Corporate Insight.

At Mr. Orecchio’s firm, for example, advisers work with clients to lower fees, primarily by switching to an investment-management services option with a smaller fee schedule, and then adding planning services on a one-off basis with an hourly fee.

But the firm has had talks about creating a lighter version of their wealth-management services, he says, which could include things like cutting down to meeting once a year or removing layers of customization from portfolios.

While the firm has been loath to do anything that would amount to “a watered down version of current service,” new tech offerings are making it more likely that they will revisit these discussions.

“This has been a tough issue for us as I assume it is for many advisers,” Mr. Orecchio says. “The good news is that as technology permits us to do what we do more efficiently, we might be able to deliver the same services.”

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