

One Key Trait To Look For When Choosing a Financial Advisor



Wealthy individuals and families by and large like to work with highly skilled advisors—from wealth managers to accountants, lawyers and beyond. In a 2024 report, CEG Insights found that a whopping 95.3% of investors say they value guidance from their advisors specifically because those advisors possess knowledge the investors themselves lack.*

That makes perfect sense, of course. If you have the ability to access advisors who have a reputation for their strong technical capabilities in areas like tax mitigation, estate planning, investment management and other key areas of importance, why wouldn't you pick those advisors over others who aren't as knowledgeable about such issues?

But here's something that might surprise you. We've learned, from decades of working with both the affluent and top financial advisors, that those advisors who may be highly renowned for their technical abilities and skill sets are not necessarily the best advisors for you.

*Source: CEG Insights, The Advisor's Edge: Understanding Investor Behavior for Optimal Asset Management, 2024.



Key Takeaways:

- Advisors who value the human element of wealth planning are highly focused on their clients as people.
- The ways in which an advisor gets to know you and communicates with you are signs of whether they're focused on the human element of planning.
- Getting a stress test done is one way to help you see whether an advisor uses the human element.



The reason: Sometimes these advisors are missing an important characteristic that can empower them to better serve investors with sizable wealth. And if they lack that trait, you might not want to work with them.

THE HUMAN ELEMENT

First, though, let's be clear: It makes good sense to find and work with professionals who are technically skilled—ideally, technically brilliant. These professionals are more likely to recognize ways to use various financial solutions in ways that work toward the maximum desired outcome.

But we think you should be looking for more, too. In particular, we believe any wealth managers you work with should be exceptionally good at bringing what we call *the human element* into all they do on behalf of their clients.

The human element as we define it is the personal and emotional components of wealth management. It includes understanding everyone and everything that is important to you, as well as everyone and everything that could be affected by your financial decisions, and using that understanding as the basis for making a broad range of decisions about your wealth.

The following case study helps illustrate why it's important to work with a wealth manager who is extremely adept when it comes to the human element.*

A wealthy entrepreneur wanted his business succession plan stress-tested to see whether it would deliver the results he wanted under various scenarios. A cohesive team of specialists were assembled to do the review and assessment. They concluded that, because of changes in the family dynamics since the time the estate plan was first signed, the most likely outcome after the business owner's death would be an all-out war among his four children. If it got bad enough, the conflict could be the death knell of the 200-plus-year-old family business.

When it came to inheritances, the patriarch had decided on being even instead of fair. That meant each child was set to receive an equal share of the estate (including the company) even though only one of the four was involved in the company—as its president. The patriarch described two of the children as "do nothing" and "worthless."

Thinking through the situation with an intense focus on the human element resulted in a new estate plan along with well-structured and rigorous succession and asset protection plans. It's important to note that the existing wealth planning had done extremely well. However, the family's circumstances changed. Now, the child involved in the family business will inherit the company. The other children will get comparable amounts of wealth but in different forms.

*This is a hypothetical example and is not representative of any specific investment. Your results may vary.

THE VALUE OF THE HUMAN ELEMENT

This case study reveals how important it can be to stress test some aspect (or all aspects) of a wealth plan from time to time, especially with an eye toward interpersonal, human-element concerns.

Stress testing is a systematic way to evaluate whether your plan is positioned to generate the results you expect it to. It can also be a good way to determine whether there are any meaningful opportunities out there that your current wealth plan isn't taking advantage of.

Sometimes stress testing identifies technical mistakes that were made in the creation or implementation of a strategy. For example, some successful entrepreneurs will put different assets in separate entities. However, they might fail to insulate those entities from something adverse occurring in their personal lives. Another example is life insurance, which is often based on assumptions and projections. Sometimes, a stress test will show a technical failure—the life insurance will not perform as expected.

But stress testing also can reveal areas where strategies are correct, technically, but have become outdated because of changes in a person's situation and needs.

That said, it's more common in our experience that stress testing reveals everything to be on track, technically and from a human element perspective. Finding no problems at all can potentially be good and comforting news—especially if there was uncertainty going into the stress test.

SIZING UP AN ADVISOR

There are three main ways that advisors who incorporate the human element into their work demonstrate to clients their commitment to it:

- **Client-centered discovery.** They have a process to develop a deep and meaningful understanding of their clients' world—today and on an ongoing basis. Advisors who value the human element spend a considerable amount of time and effort learning about the client (as a person, a spouse, a parent, an entrepreneur, a business exec, etc.). They focus on what matters most to the client—and why.
- **Coherent, connected communication.** They communicate ideas, concepts and possible solutions in a way that really makes sense and resonates with their clients. Advisors who value only technical knowledge sometimes do a less-than-stellar job of explaining potential strategies to their clients. That can create confusion that fosters mistrust between clients and advisors. Human element advisors draw the connections between strategies and the value they aim to bring to clients' lives.

- **Deep, intimate relationships.** They forge greater and more substantial relationships with their clients over time. Rather than treat getting to know clients as a "one and done" proposition, human element-focused advisors recognize that needs, goals and concerns usually change and evolve over time. As a result, they regularly check in with clients to see how their lives may have changed in important ways.

In addition, there are two approaches that can potentially help you determine whether a technically proficient wealth manager is likely to deliver results that satisfy you.

- **Determine whether the wealth manager is focused more on products—or on you.** Financial strategies are simply tools—and whether or not any particular tool may be right for you depends greatly on your goals, your needs, your preferences, your concerns and your challenges. Assess whether a wealth manager seems to be paying more attention to the mechanics of a strategy—the ins and outs of a particular type of trust, for example—or whether that wealth manager spends more time trying to get to know you as a person.

If the focus is on you, it's a sign that the wealth manager is also focused on outcomes—getting the results that you seek for your particular family, business and so on. These wealth managers also tend to be adept at explaining how their actions (or proposed actions) are aimed at delivering the specific results you seek.

- **Get a stress test done.** You should consider stress testing if you're not extremely confident that one or more of your wealth management strategies will get you the outcomes you want—due to a technical concern, a change in your personal situation or both. You might also consider stress testing if you're concerned about a proposed solution's or strategy's effectiveness relative to your goals. A stress test could help you decide whether you should go with that strategy—or steer clear of it and the wealth manager who proposed it.

CONCLUSION

It's a good idea to find and work with technically adept financial professionals who are well versed in the many strategies available to you. Expertise is valuable and can potentially add value to your financial life.

That said, you can still end up being disappointed with your results if all you do is seek out such professionals and stop there. We believe a much better idea is to work with technically skilled professionals who also focus much of their time and attention on how potential strategies may (or may not) help the needs of specific clients.

This requires the human element—a willingness and ability to get to know you on a deep level. Wealth managers who combine the human element with great technical skill are likely to be better positioned to generate outcomes that their clients most want.



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VFO Inner Circle Special Report

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