

What Makes a Wealth Manager an *Elite* Wealth Manager? Probably Not What You Think.

Key Takaways:

- Wealth managers offer investments—but they don't stop there.
- Advanced planning in areas like wealth transfer and wealth protection is a key part of wealth management.
- Elite wealth managers are systematic about understanding clients on a deep level.

We find that the affluent want to work with the best professionals in all areas of their lives—especially when it comes to the areas of personal and (for entrepreneurs) business financial management.

Unfortunately, there are a plethora of different financial professionals seeking to do business with you. Identifying “the best” for you can feel like a herculean task. Even differentiating one financial professional from another can be challenging sometimes, as so many of them present themselves in similar ways using the same terms and titles.

One type of advisor who has the potential to be extremely beneficial to your financial life is an elite wealth manager. As you may be aware, lots of advisors these days call themselves wealth managers. But in our view, only a small percentage really provide comprehensive wealth management expertise that puts them at the elite level.

So how can you tell you're looking at an elite wealth manager? The first step is to understand what wealth management entails.

We find that most successful, affluent individuals and families are looking for wealth management to address their

financial challenges, even if they don't specifically use that terminology when talking about what they want.

True wealth management in our view consists of two main components:

- Investment management
- Wealth planning

The investment side

Investment management addresses preserving or growing your liquid wealth—assets that (in most cases) can be readily converted to cash. Of course, you may also have wealth that is illiquid—such as real estate (including your home), private equity investments, equity you have in your own business (if you are an entrepreneur) and certain hard assets, such as artwork.

This aspect—dealing with the investments, the asset allocation and related issues—is what immediately comes to mind for many people when they think about the concept of wealth management. And that makes sense: Advisors, including elite wealth managers, generally will create and oversee a portfolio of investable assets. There are various services tied to this aspect of wealth management that commonly include the following:

- **Asset allocation** involves balancing risk and reward by having the investment portfolio in different types of assets based on a person’s goals, risk tolerance and expected need for money.
- **Investment product selection** is the process in which the wealth manager chooses the investment products. These might be individual investments, such as stocks and bonds, mutual funds, and ETFs. Some wealth managers will select specific money managers.
- **Rebalancing** is where the wealth manager realigns the investments in the portfolio, which can happen at various times for a multitude of reasons (tax-loss harvesting, reverting to the desired asset allocation and so on).

Almost all self-identified wealth managers provide investment management, in our experience. But it might be all that they provide. In those cases, we would argue, the “wealth managers” aren’t wealth managers at all. Providing just investment management doesn’t go far enough to warrant using that title. Wealth planning expertise is also required in order to be a wealth manager—and certainly an elite wealth manager.

The advanced planning side

Wealth planning requires possessing the technical expertise to deliver a diverse range of advanced strategies beyond investing, which sometimes means incorporating financial products. The tools and techniques of wealth planning range from the basic to the cutting edge. The basics include legal strategies and financial products that are readily recognized and generally applicable for most affluent clients—such as trusts, partnerships and life insurance.

Under the broad umbrella of wealth planning is a range of specialties. We find that some of the most common among true wealth managers are the following:

- **Income tax planning** focuses on mitigating taxes on money earned through working and investing. For example, in certain situations, it is possible to modify corporate structures, resulting in income being taxed at lower rates.

- **Estate planning** involves using legal strategies and financial products to determine the future disposition of current and projected assets. Critically, it's important to determine who will own the assets and how they will be owned.
- **Marital and related relations planning** entails planning for disruptions in the relationships between spouses and other partners. The intent is to take actions that will protect the family's wealth.
- **Business succession planning** principally deals with tax-efficiently transitioning a privately owned business to others, whether or not they are family members.
- **Asset protection planning** entails employing legally accepted concepts and strategies to ensure that a person's wealth is not unjustly taken from them.
- **Charitable tax planning** addresses ways to be philanthropic in the most tax-efficient manner. The tax code fosters philanthropy, and this planning takes advantage of that fact.
- **Life management planning** addresses an array of concerns from a wealth management perspective. An example of this is when the wealthy structure their assets to deal with longevity concerns.

There are many distinct specialty areas, although not all wealth managers will offer every one of the components listed above. What's more, in practice, there can be considerable overlap and synergistic possibilities between these areas. For example, by placing assets into an irrevocable trust for the primary purpose of transferring them to heirs (estate planning), asset protection possibilities may also arise.

Important: A high-quality wealth manager is unlikely to be expert in all the aspects of investment management and wealth planning. However, that professional should be able to readily access the requisite expertise on behalf of clients via a group of other professionals who focus on individual components—such as an attorney specializing in estate planning. Therefore, it's useful to think about wealth management as being provided by a cohesive team that is coordinated by the wealth manager.

The value of powerful relationships

A sizable number of wealth managers, along with their teams, are highly technically proficient when it comes to investment management and wealth planning. Simply put, there are a lot of talented professionals out there.

But remember—you want to know how to spot an elite wealth manager. And even advisors who are absolutely brilliant in these areas are not automatically elite.



The key difference is that elite wealth managers are both technically excellent and able to develop a truly deep understanding of their clients that informs their suggestions and actions. In effect, they build powerful professional relationships with their clients that extend far beyond financial products and the number of commas found on their clients' bottom line.

We find that much of the wealth management industry is investment and product centric. Conversations between advisors and clients are often heavily weighted toward how financial products and services are performing and what additional financial products and services might be needed. Important concepts such as annualized returns, volatility levels and yield curve trends are discussed—but little else is.

In contrast, elite wealth managers are highly client-centric. Their focus is on understanding their clients as completely as possible. That means not just their investment preferences or their net-worth goals but also their hopes and dreams, their concerns and trepidations, and even their core values as people. Elite wealth managers take this approach because they are always looking for ways to add value to their clients' lives as best they can. Sometimes this takes the form of investment management and wealth planning. But at other times, they find ways to make their clients' lives better in ways not related to finance.

For example, some elite wealth managers we know are introducing their clients to concierge medical practices. Among the affluent, there is a steady trend of seeking high-quality (even preferential) health care. Many concierge medical practices fit what these affluent families are looking for. Because elite wealth managers are highly attuned to their clients' issues surrounding their health and well-being, when they determine that a service such as this one is warranted, they make the connection.

The upshot: The ability to develop powerful relationships with clients is what takes extremely skilled wealth managers into the realm of elite wealth managers. Both are exceptionally technically proficient, but the elite wealth manager has a much better and more in-depth understanding of their clients. Just as important, the elite wealth manager uses that understanding to deliver additional value to those clients—value from which they can benefit greatly. Because of these insights, the investment management and wealth planning solutions elite wealth managers deliver are often more in sync with their clients.

Finding an elite wealth manager

There are a number of ways the wealthy find elite wealth managers to work with. The most prevalent approach we see is through referrals:

- Existing clients of elite wealth managers will often recommend their advisors to their peers.
- Referrals from other professionals are another way to connect with an elite wealth manager. These other professionals are commonly lawyers and accountants. They tend to recognize the value an elite wealth manager can deliver to their clients, so they make introductions.

Whether you choose to work with an elite wealth manager is up to you, of course. Regardless, it may be helpful to understand the various aspects that go into wealth management so you can get a better handle on any financial professionals you're working with or considering working with.



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VFO Inner Circle Special Report By John J. Bowen Jr.
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