



WHITEPAPER SERIES

# Ultra-High-Net-Worth Investors: Preparing for What's Ahead

*Consider the future and how to make your  
wealth work on your behalf*

Strategic Planning

Typical Needs of Wealthy Investors



# Introduction

In our previous piece, [\*Nearing an Exit: Questions to Ask Yourself and Others\*](#), we outlined the types of questions ultra-high-net-worth individuals and families might ask themselves as they begin to think about substantial wealth, its application, preservation and accompanying issues.

We noted the relevance of the questions and answers vary as widely as the people weighing them. But, in our experience, we do observe some common considerations. These broadly center on understanding one's goals, how best to use and deploy capital for maximum satisfaction (broadly defined) and the thought processes and resources to do so. Forward-looking, wise management is the most common ingredient.

Here we describe these needs and some approaches to meet them. We believe in ensuring plans closely fit the individual and aspects of their specific situation - but that can be expensive. So it's helpful to first define the audience – to whom these perspectives might be helpful based on level of wealth.

From a practical standpoint, if the benefits of a holistic solution significantly outweigh its cost and effort at your level of wealth, then you're in the target audience. By "holistic," we mean solutions incorporating investment, financial, income tax compliance, estate planning and other relevant considerations. As a rough estimate, individuals and families with total net worth exceeding \$10-20 million will likely find value in at least some of the elements we describe below. Along with wealth, the complexity of a family's circumstances often increases and thus the potential net benefits of the holistic approach.

At BCA, we have wide-ranging experience across these topics and would be pleased to talk with you to help evaluate these benefit/cost tradeoffs.



# Scope of Needs and Required Expertise

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Wealth management must follow your priorities, preferences and personality.

The questions we outlined in the first paper in this series, [\*Nearing an Exit: Questions to Ask Yourself and Others\*](#), are meant to help draw these out. In general, we find that wealthy individuals and families often express or seek some combination of the following attributes (in no particular order):

- Occasional large capital purchases for personal and aesthetic enjoyment (house, boat, art, etc.)
- Ongoing annual expenses for living/lifestyle and overhead
- Support for family, especially their children, during the parents' lifetime and beyond
- Philanthropic interests and activities, again during their lifetimes and potentially beyond
- Given the above, an investment goal of generating sufficient returns (after investment costs and taxes) to support outlays and protect and grow portfolio value over time
- An ongoing ownership interest in their foundational business/asset/activity (usually the source of the original wealth) and a potential need to divest/diversify this over time
- Comfort accepting tax obligations but with a desire to structure and manage affairs to minimize avoidable tax "leakage"
- Freeing up time for high-priority activities and interests, often translating into a desire for administrative and advisory support. In other words, increasing focus on what matters while avoiding unnecessary burdens
- A long-term view, including with respect to investment horizon, and as a result, some tolerance for near-term volatility and illiquidity if part of a careful plan to manage risk
- Greater simplicity, wherever possible



Individuals and families will have different takes on each of these and place different weights on their importance (up to indifference).

But, on balance, the goals and preferences outlined above merit consideration of:

### **Estate planning**

including the benefits and drawbacks of trust and other structures

### **Legal entities**

to organize, protect and optimize capital purchases and investment activities

### **Charitable planning**

including benefits and drawbacks of a foundation

### **Intentional, professional portfolio design and management**

with access to best-of-class strategies and managers across all asset classes, including private, non-tradable investments

**Management oversight of and/or transaction advice for concentrated assets**

**Comprehensive, global reporting for assets, cash flows and investment returns**

**Administrative support for both lifestyle and investment/commercial activities**

**Tax advice and preparation**

Some of the activities above are up-front exercises with only an occasional need for review and updating, while others are ongoing.



# Resources and Infrastructure

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In managing these activities, a central question arises:

*Which are best served by engaging third-party providers, and which may be better provided by dedicated (in-house) staff?*

Generally, one-time or episodic needs for advice or execution are also those that require the most specialized expertise. These almost always involve engaging third-party expert professionals – e.g. attorneys and accountants – as the most effective route for estate planning (and legal structure more generally) and tax matters.

While often more expensive from an hourly perspective (vs. in-house), outside experts are a variable cost and offer two additional benefits. Their specific expertise is often more current due to their work serving other clients on similar issues, and they can add additional professional resources when needed (“power-by-the-hour”).

**It will come as no surprise that resources needed to support a family’s day-to-day interests and activities differ dramatically, reflecting their varying priorities, preferences and personalities.**

Thus, the depth of support and engagement with philanthropic activities or managing personal property, for example, will depend entirely on where such things sit in your hierarchy of priorities.

On the other hand, administrative support is almost always needed and ongoing. These activities often include basic things like book-keeping, bill-paying and paperwork, among others. Universally, our clients want to free up time from tasks like these, so it’s an early area of focus.



**We elaborate on the investment portfolio here as one of our core competencies.**

Its strategy, oversight and implementation (managed internally or by outside advisors), should be a broad-scope and dynamic activity involving:

### **Strategic asset allocation**

(i.e., what types of assets to own, and in what proportion) considering available client capital - especially if it may be affected by a significant transaction (such as the sale of a concentrated asset) - and prevailing market conditions

### **Manager identification, research, selection and ongoing monitoring**

Given the scale, resources and intense focus required, outside specialist portfolio managers should be responsible for individual investments within their niches

### **Portfolio construction through strategy selection across and within asset classes**

### **Reporting**

Providing an integrated picture of exposures and performance of the entire, holistic portfolio, regardless of source or management responsibility

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Only the very largest Family Offices – of perhaps \$2 billion or more of investible assets, in our estimation – may have sufficient scale to merit hiring an in-house team of investment professionals and related staff to carry out all these functions. So private families and individuals are usually best served by using a third-party investment advisory firm, which in turn researches and recommends specialist portfolio managers.



# What Should the Solution Look Like?

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The structures, activities and resources brought to bear to plan and execute solutions should be tailored to your needs reflecting your priorities, preferences and personality.

*There are lots of ways to do this, but, in all cases, harmony and coordination are the keys to a good solution.*

Expert professionals naturally tend to “stay in their lanes,” often leaving a client to seek advice from various perspectives (such as whether to sell an asset and incur taxable gains to achieve potentially higher returns). So, the principals (individuals or families) must develop and communicate an overarching vision of their goals and priorities to guide those professionals developing, weighing and integrating advice to achieve the best result.

As another example, consider cash flows. Decisions about the types of investments, their proportions, specific characteristics, liquidity, and resulting anticipated investment cash flows may influence distributions and the ability to support the owners’ lifestyle and other plans. Therefore, investment decisions must reflect the principals’ vision. Similarly, when designing investment strategies and plans, investment advisors should seek input from tax advisors when selecting specific investment vehicles (e.g., onshore vs. offshore) and their place in your ownership structure based on the mix of expected return from the underlying investments (e.g. income versus capital gains).

The key concept is a “hub” to connect the various experts at the ends of the “spokes.” You, dedicated Family Office professional leadership, or your wealth advisor may play that central role. The selection of functional experts (including those from your existing professional relationships) should follow and be consistent with that decision.

The term “Family Office” has become oft-used and intertwined in discussions about the activities described above. At Bitterroot Capital Advisors, we view the concept of a Family Office as a network of resources and activities that serve wealthy individuals or families – its form can take many shapes to serve various needs. We discuss Family Offices in a bit more detail in our next piece, [\*How to Create, Organize and Coordinate the Ecosystem\*](#).



Continue reading *Ultra-High-Net-Worth Investors: Preparing for What's Ahead*

#### FAMILY OFFICE

### How to Create, Organize & Coordinate the Ecosystem

Understand the key functions of Family Offices: which aspects are best suited to highly qualified third-party providers and which to dedicated staff. Some ways to think critically about directing and coordinating a family office network.



Click [here](#) or scan the QR code on the left

#### STRATEGIC PLANNING

### Nearing an Exit: Questions to Ask Yourself and Others

For those beginning to think about the sound management of wealth, possibly around an exit from a large investment, the following outlines some questions we might ask. The questions range from the sublime – family and philanthropic goals – to the more mundane – investment, administrative and tax matters. As you revisit your life goals and begin to embrace this new undertaking, identifying those resources that can help and how to engage with them is likely to become an early priority.



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