

# What Physicians Should Expect of Personal Wealth Managers:

## Five Factors to Consider in Today's Volatile Market



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**A**s a physician, the health and well being of others depends on your knowledge, skill, and dedication. Patients come to you with substantial expectations, assuming at the very least that you will be technically competent, while also hoping that you will have a good bedside manner and be part of a well-run medical practice that facilitates getting and/or staying well. When your patients' expectations are consistently in alignment with the services you provide them, everyone involved is better off.

Now consider a similar situation where you, as the physician, are the one who should be quite clear about your needs and expectations and what is likely to be the best way to meet them. That situation is the need to comprehensively manage your finances and investments, and to plan for the many contingencies that will either add to or detract from the totality of your family's long-term wealth. Just as the best medical results often come from working with the right specialist—someone who is competent, knowledgeable, and tuned in—the best financial and wealth management results come from working with an individual who is an accomplished personal wealth manager.

### Your Personal CFO

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**T**hink of a personal wealth manager, then, as your family's chief financial officer, or CFO. It will be his or her job to orchestrate your wealth to meet all your family's short- and long-term goals, and to help you clarify what those goals are in the first place. As such, your personal wealth manager will be able to help you with your investments, cash flow, tax concerns, business planning (especially if you are an owner of your practice), insurance needs, educational planning for your children, retirement considerations, estate planning, and charitable giving. He or she will also have access to a team of experts, such as a CPA, a property and casualty agent, a malpractice insurance agent, and, if you are running your own business, a payroll company or a banker.



But why work with a personal wealth manager to get all this done? Why not just trust your own instincts with your money, perhaps continuing to work with your current stockbroker or engaging the local insurance agent down the street, and then bring in a lawyer when you need one to handle necessary life documents? There are at least three good reasons for choosing to work with a personal wealth manager.

First, it goes without saying that as a physician you have received an extensive education; unfortunately, very little of that education prepared you for effectively dealing with the nitty-gritty of short-term finances or long-term planning. Second, you probably already don't have enough time in your day, so working with someone who is a specialist in wealth management will not only save you time that you don't have, but it will make it far more likely that all your and your family's needs will be proactively planned for and comprehensively addressed. Third, in the wake of the recent recession, it's clear that financial markets today are more volatile than ever; this means that it's harder than ever to stay the course and not panic at exactly the wrong time, which is why many investors fare so poorly. A good wealth manager will not only be able to help you plan for the future, but will help you stick to your plan when the going gets rough.

Overlaying these three reasons are the many industry-wide challenges facing physicians as a whole. With health care reform in progress, we continue in an era of declining and uncertain reimbursements at the same time that costs are rising for everything from equipment and office space to third-party services and personnel. Put differently, since physicians as a whole are feeling considerable financial pressure and uncertainty, it makes eminent sense to call on a trained specialist to help you lock down everything possible that affects your family's long-term financial health and happiness.

## Finding the Right Personal Wealth Manager

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**T**he relationship that you build with your personal wealth manager will be critical in meeting the financial and other life goals that you and your family will face for decades to come. It's imperative, therefore, that you be crystal clear about your expectations and that you are well armed with a thorough set of evaluatory criteria before you invest the time and energy needed to find the right personal wealth manager—the right personal CFO—for you and your family. (Note that these expectations and criteria are applicable to evaluating your current stockbroker or financial services provider as well.) Later this year, an online diagnostic questionnaire will be provided that will help you work through these criteria in a condensed and easy-to-use format.



There are five key factors to consider when evaluating a personal wealth manager:

1. Your (and your family's) particular needs and expectations.
2. The service deliverables the wealth manager and his or her firm will provide.
3. The type of practice and firm associated with the wealth manager.
4. The type of working relationship you want with your personal wealth manager.
5. The kind of personal chemistry and connection you feel with him or her.

As you read through these factors, you'll see that to a certain extent they blend and overlap—one set of questions and criteria lead into another. Still, it will be helpful to think of them separately as you move forward in finding the right financial professional.

## The First Three Factors: Expectations, Deliverables, and Firm and Practice Type

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**T**he first factor addresses the *big picture of what you and your family need, want, and expect from your relationship with a wealth manager*. That is, do you really need and want a personal wealth manager? Think through what's important to you and decide whether long-term planning—financial, educational, retirement, estate, insurance, etc.—is something that you desire and that will benefit you and your family. Comprehensive, multifaceted planning is a substantial endeavor and it will impose a number of different disciplines and requirements upon you, so make sure this is something that you're up for doing.

Also, you may have particular needs—such as special insurance requirements, a profound interest in charitable work, or the need for help with running your business—that some wealth managers will be better able to provide than will others. Finally, what are your expectations with regard to whether the wealth manager specializes in working with physicians? Are you fine with any financial professional who seems likely to be able to meet your needs, or are you expecting to work with a wealth manager who has special expertise in working with physicians?

The second factor directly ties into the first and concerns *the actual deliverables that you can, at minimum, expect from the wealth manager*. How often will the wealth manager meet with you? How often will your portfolio be rebalanced? What type of comprehensive financial and life-planning process, if any, will be made available to you? With regard to the investment of your money, there are quite a few questions you'll want to look into, including:

- What is the wealth manager's investment process and philosophy? Does he or she fully embrace Modern Portfolio Theory and the idea of a well-diversified asset allocation?

- Does the wealth manager generally follow a more conservative (designed to preserve capital) or a more aggressive (designed for growth) investment strategy, and is the strategy adaptable to your specific needs and desires?
- How will specific investment decisions be made, and what will your role be?
- Where and how will your money actually (physically) be invested, e.g., with money managers, in high-grade funds, in ETFs, in bonds?
- What kind of reporting and documentation will you regularly be provided and will you have full, online access to your accounts?

Don't be afraid to ask for a menu or summary of services. If you have specific needs that go beyond the wealth manager's expertise, will he or she be willing to work with your attorney or accountant, or does he or she have a team of outside experts that can be brought in when necessary?

The third factor—*the type of practice the wealth manager has, the type of firm that he or she is associated with, and his or her overall level of experience*—is important because different types of firms, practices, and levels of experience will inevitably lead to very different experiences for you as the client. For example, financial advisors who are part of large brokerage firms or “wirehouses” may have considerable pressure put on them to sell certain types of financial products. A related critical factor is whether the financial advisor works mainly on a commission or fee basis. The latter is highly preferable because then the financial advisor is not motivated to sell you anything in particular, but instead is structurally incentivized to grow your portfolio for the long run (as your portfolio grows, the wealth manager's total fee grows). Essentially, financial advisors with fee-based practices are more likely to always keep your best interests in mind than are those who are driven by commissions based on transaction volume.

The size of the wealth manager's firm and practice are also important. Large firms may have access to additional resources and services, but often feel impersonal and mechanical in their processes. As for the size of the wealth manager's practice, if he or she has too many clients it will be more difficult to get the level of attention you desire, and you might find yourself mainly working with junior staff. A related consideration is the wealth manager's overall level of experience. Notwithstanding the technical expertise and enthusiasm that a younger wealth manager might bring to the table, generally you will be better off with someone who has years of wealth management experience, especially one who has a history of working with physicians.

## The Final Two Factors: Type of Relationship and Personal Chemistry

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**T**he fourth factor concerns *the type of working relationship you want and expect from your personal wealth manager*. This factor is related to the deliverables factor, but focuses more on the context of what your day-to-day relationship will look like and whether it will satisfy your expectations. You'll want to find out how often you will meet with the wealth manager, both initially and on an ongoing basis, and what means of communication are

available (phone, email, in-person conversations). Similarly, given the number of clients the wealth manager has, how quickly will you be able to reach him or her, either for a simple question or in an emergency? Most important, does the wealth manager have a consultative style, that is, will he or she regularly tap into your knowledge, seek your advice, and pay attention to your input?

The final factor, *personal chemistry*, is a very idiosyncratic one. This is not only a question of whether you feel that the wealth manager is giving you his or her full attention, but whether you actually like, trust, and feel comfortable with him or her. Again, you are hoping to build a relationship that will last, so you really want to feel good about the person you are going to trust with your money and financial affairs. If you and the wealth manager don't "hit it off"—if you feel uncomfortable with any aspect of whom he or she is, or vice versa—then you really should be looking elsewhere. While trust takes time to build, most of us intuitively and instinctively know right away whether we want to work with someone. So even if the wealth manager seemingly will meet all your expectations, if the necessary chemistry is lacking, just move on.

To make sure you and your family are taken care of financially and are able to achieve all your major life goals, there's no doubt that it makes profound sense to work with a qualified wealth manager. This will entail finding one or more potential candidates (including, perhaps, the stockbroker or financial advisor you are already working with), and then carefully evaluating each candidate in terms of the above five factors. If you take the time to find the right wealth manager, you and your family will likely be richly rewarded in the long run.

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