

# *Transparency and Sophisticated Simplicity in Wealth Management*

By Sara B. Bernard & Harry S. Grand

## **CHILTON TRUST COMPANY**

The investment management landscape continues to evolve and become more multifaceted with intricate investment options and solutions for investors. Yet, as the wealth management industry has become more complex, transparency – as it pertains to underlying investments, terms and fees – has rapidly declined. In 2008, stress and volatility in the markets tested the wealth management industry; many investors awoke to the harsh realization that their investments were not liquid or they could not immediately access their funds. These communication failures, and their sometimes severe consequences, left many distrusting their advisors and wealth managers. In a post-2008 and post-Madoff world, we believe that the need for transparency is paramount. Wealth managers must be honest and open about your investments – whether it relates to fees, performance, or transaction and portfolio decisions. By focusing on and enhancing communication and the language and tools we use to work together, we strive to be better equipped in making smart decisions and establishing appropriate asset allocations, taking into consideration your goals but more importantly, your risk budget.

We recently had the occasion to dig deeply into a wealth management program put in place by another advisory firm. A new client approached us as they were disappointed with their investment performance over the past five years. They had routinely underperformed the S&P 500 Index each year for nearly a decade, effectively missing the alpha generated during the bull market. After a thorough review of their holdings, we discovered that they had been placed in a combination of fund-of-funds, illiquid partnership vehicles and, in one instance, a long only partnership with high fees and a non-market lock-up period. The most troubling aspect was that the client appeared to be generally unaware of the fees and the terms associated with the underlying investments. Unfortunately, the client will not be able to fully liquidate some of their holdings for a significant period of time. Additionally, we believe that each account was overly

diversified, and the client could not point to any clearly communicated plan or rationale from their former advisor as to their exposures across sectors and securities. In some instances, accounts were heavily allocated to private equity partnerships – with allocations north of 20% – which did not sync to the client’s risk objectives.

The wealth management industry needs to continue to respond to clients’ expectations for increased openness and communication. In discussions with our clients, they have expressed the desire for a trusted relationship which can span decades and generations. As an independent Registered Investment Advisor (RIA), regulated by the Securities and Exchange Commission, and a state chartered Trust Company, governed by the FL Office of Financial Regulation, we hold ourselves accountable to the highest level of fiduciary standards. We align ourselves with our clients and charge only a flat or asset-based fee. Chilton Trust earns no commissions, 12b-1 fees (often hidden fees paid to mutual funds for its services) or similar placement fees for its services. Any advisory fees that are charged are listed on the monthly statements so clients have the ability to track and monitor the fees as they see fit. At Chilton Trust, we believe in and are committed to being transparent with you on your accounts – whether that relates to

investments we are making or fees we are charging. In contrast to organizations with multiple business lines, our focus allows us to channel all resources, both human and systems-related, to the direct benefit of our clients. We have structured our services and the way in which we charge for them with the following mandates: full transparency, agnostic implementation, alignment of interests.

We seek a deep understanding of your investment objectives and risk profiles. You are the sole owner of your separately managed account and your assets are not commingled with any other client account. We believe you should know what you own and know why you own it.



*"Let's never forget that the public's desire for transparency has to be balanced by our need for concealment."*

Source: The New Yorker

We encourage open communication and clear information regarding your investments and fees. While we have the world class expertise and capability to manage equities and fixed income internally, we also offer robust external manager research and access for those clients seeking to complement their portfolios. We outline the terms of those investments and offer monitoring and reporting services so you remain informed and confident, whether your investments are internal or external. We take the time and effort to clearly articulate everything in an Investment Policy Statement that you review and approve, which serves as our guidepost for future discussions.

We have responded to the needs and expectations of our clients and have invested significant time and resources to create enhanced performance statements that provide you with detailed account information in a format that we believe is clear and complete. Our goal is to make it easy for you to access your information in a way that suits your tastes and needs. We offer reporting capabilities which consolidate your assets, aggregating your holdings across multiple separately managed accounts into a relationship overview.

Chilton®Connect, our web-based client interface initiative, further supports our desire to offer full transparency to clients. Among other things, Chilton®Connect will provide clients with the functionality to view and download specific reports and information that we believe are useful and important, such as transactions and holdings information. We understand the importance of being able to access real-time information about your portfolio, whether through an online portal or through a phone call or meeting with your Client Advisor and or Portfolio Manager.

At Chilton Trust, our mission is to always put the client first, and to keep the client's investment objectives at the forefront of decisions. We seek to continue to rebuild client and investor confidence in the wealth management industry, and to serve as a leader amongst the industry as stewards of our clients' wealth and prosperity.



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**Chilton Trust Company**, a private, independent Trust Company, advises and provides wealth management services including fiduciary service and investment solutions to high net worth individuals, families and foundations.

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\* Fiduciary services may only be offered through the Palm Beach office.