

Case Studies

Fixing poor investment performance

Real-life scenario: A family had poor performance from the multi-family office (MFO) that served them. The family requested several high-performance managers pitch to assume management of the funds. Five firms presented nearly identical investment processes, and of course, fantastic performance track records. The family was confused on whom to select.

Consilium Solution: Cliff took a different tack. He first conducted a full Investment Audit to provide detailed information on what had occurred. Lack of an Investment Policy Statement, large weightings in proprietary hedge funds, and large allocations to aggressive, high-fee managers were discovered to be the root causes of poor performance.

The MFO hadn't created a guiding document for family success, had misplaced family assets in overly aggressive hedge funds that did not provide downside protection. Thinking they were safe due to the downside protection of their hedge funds, they then placed too much weighting in aggressive managers.

Cliff helped the family to create an institutional-quality investment policy statement, and advised a tax-advantaged index fund core mandate to be complemented by some hedge and manager expertise. The new structure was far less expensive, tax-efficient, simpler, and subject to analysis — not opinion. Satisfaction immediately improved as did results.

Delivering good investment advice

Real-life scenario: A sophisticated investor with a history of hedge fund investing had access to all the investment expertise one would expect. But for all

the access, he complained that all he was getting was either plain-vanilla, fill-in-the asset allocation model advice from his banks, or product pushes from the brokers and boutique managers. He just wanted good, trenchant insight and advice, that made money.

Consilium Solution: Cliff approached the opportunity differently. He took the time to assess and analyze the client's numerous current exposures and bets. Knowing how the client was already positioned, Cliff cross-referenced his best-ideas against what was possibly missing. Then he took the time in an institutional quality presentation to detail his top-down thinking, and why certain proposed mandates were timely, actionable, and fit within his current portfolio. The managers were sourced globally and provided their own additional strategic insights. The client enacted the proposed action, which resulted in portfolio gains. He was so pleased with the approach, he implemented the process to be conducted quarterly.

Investing in support of high-conviction values

Real-life scenario: A local foundation wished to invest in support of their unique mission and values. The Board members knew what they wanted to accomplish but didn't know how they could get there. Interviewing numerous wealth managers yielded pitches on various "products" that only created confusion and conflict on the Board. The exasperated CFO reached out to Cliff.

Consilium Solution: Cliff created a Questionnaire to assess the scale, scope, and outcomes each Board member desired from social and values based

investing. He shared several surveys on common socially responsible investment programs, capital market benchmarks, and other group's methodologies for this type of investing. Additionally, he created a grid of common social and sustainability oriented investment products with their structures, fees, performance, and likely impact on investment program results.

Next a Social Summit was convened to share and debate the feedback – leading to a new Vision Statement from the Foundation, a revised policy benchmark, and the inclusion of several sustainability investment mandates. Managers were tasked with their implementation, and a roadmap was set for judging results. The Board gained perspective and created a common vision which was actionable.

Helping a big spender

Real-life scenario: One client had sold a company and retired to enjoy the fruits of his family's success. Over time the client accumulated several homes, supported various charities as well as all the financial needs of several children and family members. He vacationed extensively, and regularly supported associates or friend's new business enterprises. The client expected near double digit returns from his portfolio to support this lifestyle. Capital markets and his advisors failed to deliver these expected returns in the last decade, but the lifestyle levels continued. His real estate plunged in value, and many of his associates business ventures failed to produce returns. He came to Consilium seeking great returns to continue the status quo.

Consilium Solution: Cliff took the stance of telling the client what he needed to hear and do, rather than what he wanted to hear. Cliff first garnered permission to conduct a financial and investment audit which led to the creation of budget and life-time financial plan, based on family goals. This was matched with ranges of likely market returns. Taking a lifestyle goals based approach mixed with various capital market outcomes was impactful to the client. He saw on

paper that several of the scenarios resulted in stressed financial situations within mere years.

Cliff then did extensive education on portfolio theory, investment management practice, scenario result probabilities, and investment opportunities. It was the client's first education on wealth management outside of Jim Cramer's TV show.

The process led to a changing of several lifestyle choices, a robust, appropriate investment program with multiple asset classes, styles, managers, and firms, and institutional best practice oversight tools to measure and manage the family's wealth over a lifetime toward their goals. The overdrafts and worry ceased.

A husband passes away— a grieving widow assumes control

Real-life scenario: As happens many times, the patriarch of a wealthy family had overseen all financial matters alone. Upon his passing, his widow was faced with oversight and decision making over complex wealth management issues. There were multiple advisors, innumerable investments, complex estate plans, and paperwork galore. During a difficult time of grieving the added stress of responsibility and lack of confidence from unfamiliarity with the financial matters presented her was paralyzing. Additionally she didn't know exactly who she could trust or rely on for unbiased advice.

Consilium Solution: Cliff gathered, organized, and explained all the assets, documents, estate plans and responsibilities facing the matriarch. Over several meetings, he discussed the intentions, status, merits, and issues with these items, along with presenting a roadmap for what would happen in the weeks ahead. Additionally, he shared common pitfalls and challenges that have faced others in similar circumstances and answered numerous questions.

Once armed with perspective the matriarch and Cliff organized an Advisor Summit that brought all the expertise assisting the family into one meeting,

and in a pre-set agenda collaborated as a team on immediate needs and new visions for serving the family. A refreshed Family Service Plan was devised, the family financial plan was modified, estate and philanthropic plans were refreshed, and long-time advisors were solidified in their role as trusted experts. Peace of mind was created.

Reducing a giant estate tax liability

Real-life scenario: A client was facing a giant estate tax liability. They had already seemingly maximized their traditional wealth transfer options. Their elite planners, attorneys, and advisors espoused a *fait accompli* attitude advising them to simply pay what they owed as no other options existed. The client came to Consilium.

Consilium Solution: Cliff analyzed the client's past planning actions, and tapped his rolodex of innovative advisors. One advisor spotted a solution. A unique valuation solution was proposed based on changing several investment valuation assumptions within a tax-advantaged structure. The action was IRS-approved and saved the family a substantial tax liability.

Helping the next generation

Real-life scenario: A family was passing the reins of leadership to their next generation, which involved management of illiquid assets, some complex structures, and little experience with these dynamics. This stressed family relationships, as the inheriting 2nd generation felt locked into a series of partnerships and pooled trusts with forced responsibility and cooperation. They seemed to have little interest in working on the assets or with each other.

Consilium Solution: Cliff conducted a Family Summit with just the 2nd generation. The Summit ex-

plored the inherited obligations and responsibilities of the younger family members along with a Forum to air their own desires and goals. Cliff, and a leading estate planning attorney, designed a strategic plan to help the family preserve assets and relationships while also moving forward.

A path of cooperative independence was designed, which allowed each inheritor to make their own choices while providing incentives to collaborate. To implement that strategy, the parents were re-engaged and presented the Summit details, some assets were sold, a few partnerships were restructured, and control was modestly reconfigured. Once everyone was on the same page, aware and respectful of each other's desires, with some room for autonomy, they saw past their conflicts and began to work together.

Fixing a web of trusts

Real-life scenario: A family had been working with outmoded legacy structures handed down from previous generations, complicating family governance, relationships, and investing. They were unaware that they had options.

Consilium Solution: Cliff collaborated with the family and several new advisors. The team took a fresh look at the estate planning and listened to the family's current views and needs. A new structure was proposed to hold the family assets and manage their wealth.

Cliff helped led a project to restructure 50 trusts, 5 partnerships, and several companies into a strategic system that distributed control to the next generation, protected assets from creditors, customized investment decisions and created new opportunities for tax savings