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Friday, 19 June 2020 06:12

Lawyers – The Better Private Bankers?

Attorneys are increasingly becoming what private bankers want to be – the nearest and dearest of advisers to the super-rich.

Never before in contemporary history has so much wealth been concentrated in the hands of so few individuals. These clients – entrepreneurs, heirs and heiresses, billionaires – have become the goal for Swiss private banks and asset managers since the simple days of earning money with undeclared money ceased.

This sophisticated clientele seeks services which require a special skill set: from simple empathy to listen to the nitty-gritty expertise of international tax, trust and foundation, estate, and inheritance law.

Interdisciplinary Experts vs Client Adviser

This increasingly concentrated group of wealth has ushered in a more complex model for wealth management. Private banks are forced to trade in old, adviser- and product-centric ideas in favor of interdisciplinary teams with expert know-how.

This poses a dilemma for wealth and asset managers: the wealthier a client, the less likely a private banker actually is to get to see them personally.

Lawyer As First Port of Call

Normally someone – or rather a squad – is the gatekeeper: this can be the CEO or finance head of a family office. Increasingly, this person is a lawyer. He or she is frequently the first person a so-called ultra-high net worth client (\$50 million and up) will entrust with questions surrounding their financial affairs – and not a private banker.

«It is certainly the case that law firms are considerably closer to clients than bankers,» **Ariel Sergio Goekmen-Davidoff** told *finews.com*. Goekmen-Davidoff knows both sides of the business: he was part of Schroders & Co bank's top management and CEO of Kaiser Partner, a Liechtenstein boutique, where he dealt with ultra-high net worth clients and family offices.

Goekmen-Davidoff recently joined Lindemann in Zurich – as a lawyer. «This leads to a sort of head-start,» he said, «because clients first want to talk about the legal side of financial matters.»

Growing Private Wealth Practice

Career steps or switching sides as Goekmen-Davidoff did or ex-UBS **ultra-rich lawyer Peter Maerkl** did are happening with increasing frequency in the Swiss wealth market. It is hard to find a Swiss private bank that doesn't have a legal representative as a board member. Some firms, like Bergos Berenberg in Zurich which **hired lawyer Patricia Guerra**, tap an existing client network. Guerra is a partner at white-collar law firm Meyerlustenberger Lachenal and enjoys a good reputation internationally as an adviser to wealthy families.

There is hardly another facet of business law which has grown in the last 20 years as dramatically as the advisory of rich private and entrepreneurial clients. These «holistic» investment advisers to the ultra-rich are stars in their own right: at industry awards in big financial centers like London and Singapore, lawyers now command their own category, alongside private banks and wealth managers

Lawyers: What Bankers Are Not

In short, lawyers are the new – and better – private bankers. By definition, they are the more suitable sparring partner for wealthy clients: they have relevant expertise, are trustworthy, enduring, free of conflicts of interest, and transparent about what they charge.

By contrast, bankers still have a reputation tarnished from the last financial crisis. And because wealth managers are inherently sales organizations, they can neither genuinely objectively advise nor are their fee structures especially transparent.

Diverging Interests

Olga Boltenko, founder and managing partner of Boltenko Law, told *fnews.com* that services like hers incur additional costs for clients because they are charged directly. «With banks, many advisory services appear to be free, but then fees are charged through products.»

The client's interest, of course, often doesn't match that of the bank. A very wealthy family with members spread around the world tries to find a neutral perspective and an open mind.

Bankers Advise What They Sell

Banks tend to rock up with whole teams which appear to be primarily interested in winning the biggest «share of wallet» from clients. «Banks want the money to stay in-house and advise what they can sell,» a veteran wealth lawyer said.

Especially larger firms like UBS, Credit Suisse, and Julius Baer have poured resources into hiring experts for law, tax, and foundations. Law firms remain an important partner «for topics like financing, escrow, and markets, » Goekmen-Davidoff said.

«Gatekeeper» To New Money

Many private bankers have come around to seeing lawyers as more than partners but the path to recruiting new clients and winning fresh assets. A Zurich-based lawyer to the rich recounts how they are cold-called by private bankers asking for an appointment to present their banking services.

«Everyone wants to be in the proximity of wealthy clientele, and lawyers do sometimes act as gatekeepers,» Boltenko notes. And Goekmen-Davidoff confirms: «In my experience, private bankers pitch their wealth management services to law firms in order to win new clients.»

However, law firms represent a different setting than banks: lawyers primarily discuss structural or organizational topics – a merger-acquisition scenario or escrow services, for example. The traditional wealth management services of private banks are rarely in focus, according to the lawyers.