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ADVISOR PROFILES

Louis Chiavacci: Lessons From a Star Advisor

By Steve Garmhausen

Merrill Lynch's Louis Chiavacci is sitting pretty: Working from sunny Coral Gables, Fla., he and his team manage $2.5 billion for 65 very wealthy families. He's Barron's fifth-ranked advisor in Florida.

But resting on his laurels is out of the question, says Chiavacci. From changing market conditions to evolving cyber threats facing his clients, "We have to stay on top of things," he tells Barron's Advisor. In the fourth installment of our new Q&A of top players in the advisory business [sign up here], Chiavacci shares what it takes to win and serve very wealthy clients. Spoiler alert: There are no shortcuts. And landing the very largest clients may not, in the end, be worth it.

Illustration by Kate Copeland

Let's get right to it: What are the keys to cracking the ultra-high-net-worth market?

The first is just a realization that it takes a long time, that it's a long process. It may be one substantial new family every six months. In 32 years in the business, I don't think I've ever felt like I was sprinting—but I've often felt like I was running a marathon.

The second point: With an outgoing effort to establish a new relationship – 30 years ago you might have called it a cold call – if you think it's going to take 10 to get one, assume that it is going to take 100 to get one. As a young advisor, you have to think that it's going to take years, not months, and that it's going to take hundreds of outgoing contacts, not 20.

What's one thing you would have done differently in your career?

A: I would have spent less time chasing the truly gigantic, billionaire families. We've worked with, I'm going to say, 18 families that were either on the Forbes billionaire list or the Forbes 400. But those engagements have been mostly transactional.

These big mega-family offices, they're very sophisticated, and we've successfully interacted with them, and we've learned a lot from them. We did one big hedging transaction for one family and, yeah, it was fun, and there was some adrenaline involved. We had to engage our trading desk and our stock loan people and it was interesting. But I would much rather have devoted that time to families that are going to be with you for years and years. We've got a great base of those now, about 50 of them.

Aside from working hard, having integrity and so on, what's one factor that's been pivotal to your success personally?

Listening – really listening to the family and helping them to solve their multi-generational challenges. That, and perseverance. It takes a lot longer than you think it will for a family to convert from a prospect to a client, so perseverance is critically important.

You've said that at this point in your career, you see the biggest risk for your practice as complacency.

We're still in a state of learning. Business conditions change, elections happen, tax laws change, our relationships with major trading partners change, the industry changes. We have to stay on top of things. As a rule, we've always felt that we need to evolve our business about 40% to 50% every five years or so. Creative destruction just keeps happening all around us and we have to stay on top of it.

Can you talk about how you're helping ultra-high-net-worth clients with security issues as technology evolves?

Yes. To the extent that we can be a resource to our families, helping to educate

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them around issues like cyber security and financial fraud, that is a source of value add.

Bank of America has a whole educational series around things like cyber security and identify theft. We try to stay on top of that and weave it into part of the value delivery that we bring to clients.

Serving the wealthiest families is very different from what many retail advisors do. Can you describe a challenge you've helped a client navigate?

Yes. As we engage deeply with high-net-worth families, more and more of our work has to do with helping them to solve complex, multi-generational type issues.

One example is a highly successful first-generation wealth creator family based in Florida. There are three young adult daughters and a slightly older son. All of the daughters were approaching marriage age but had very different lifestyles, very different friend networks, and very different values around thrift and savings versus spending.

Then it came time for the first wedding. The family wants to support all the daughters, and they want to be fair. This particular daughter lives in New York City, and really wanted a big, memorable wedding. It was causing a lot of stress within the family – they were setting precedent for the other daughters, and there was envy and guilt.

It sounds like you had to put on your family counselor hat.

We had a really open conversation. Everybody's viewpoint was heard, and the resolution was a fixed budget, a dollar amount that was going to be consistent for each daughter. They could each decide how they wanted to spend it. One wanted to spend the entire dollar amount on a New York City wedding and kick in some of her and her future husband's savings to supplement it.

If the yoga-instructor daughter in Montana wanted to have her wedding on a beach and use the money to fly in their friends, that was fine too. It was a bit surprising to me how much tension an issue like this could create in a really great family, but in the end everybody was heard.

So you're navigating a lot of emotionally charged situations. Do you have another example?

Yes. This is a multi-generational, multi-jurisdictional family. The grandfather had set up trusts a couple of decades ago designed to protect the bloodline of the family. The daughter and her husband were now married about 10 years, with two young kids. The husband had actually been very successful in a business of his own.

When the grandfather died, there was inheritance going to [the daughter], but it had all these layers of protection. If they were to get divorced, in theory, [the husband] would lose more than half of what he had made. Yet he was excluded from any benefit of the trust. It seemed very unfair that he could be at such risk, and it was causing an unusual degree of tension.

So that led to a series of discussions. The focus came to the spirit of what was behind that original trust account, and in the end a fair resolution was agreed to. The trustees realized that this gentleman didn't marry into the family for the family money, that he had created a substantial net worth on his own. So the trust could be restructured in a way that was more fair and transparent to the current family dynamic.

So you really got into parsing the meaning of the family's values.

Yes. These are the sorts of value-added areas where we're working with families more and more. It's not just whether they should have the trust and whether they should have the partnership or have the foundation, but what's the overall family value and making sure that those family values are in sync with the way the entities are set up and then implemented.

A big challenge for advisors is retaining the heirs as clients after their parents die. What is your approach?

We are engaged with the next generation before the matriarch or patriarch passes away. They already have a relationship with us, and the trust that was built up with the parents often continues through to the next generation. When you have trusting relationships, they are much more likely to be long lasting.

How do you build trust with the younger generation given that their parents generally have most of the money and power?

The best way is to have the parents bring the children into the conversation with respect to the overall wealth management and estate plan. And if mom and dad are our client, the son and daughter are also our client as long as they want to be. So even if the parents have $30 million with us and the next generation has $300,000 with us, we are still engaging with them on that $300,000 portfolio in a very similar fashion the way we are engaging with the parents on the $30 million portfolio.

Thanks, Louis.