HANDLING WEALTH

Be clued up on money

Clare Gascoigne says learning about cash can lead to rich rewards

"Whether or not you made the stuff yourself you have to set about pretending that you merit it, that money chose right in choosing you and that you'll do right by money, in your turn."

Martin Amis hit the nail on the head for many wealthy people. Being rich often carries with it a duty and responsibility to handle your money well.

But where do you learn about money management? It is hardly a common subject in school and, although the wealthy manage money like the rest of us, they may use private unit trusts, hedge funds and complex derivatives to do so.

"Wealthy people have more complex financial needs," says Ian Partridge, who runs an independent consultancy, Loedstar, that offers financial management programmes for the very wealthy.

The programmes help the wealthy from the trust fund baby to the self-made millionaire.

"Traditionally, the wealthy were dependent on their advisers - the risk they took was that the adviser was up to the job," says Robert Brown, managing director at investment managers Chiswell Associates. "But many people who come into money suddenly – perhaps through selling a business – feel seriously short of education and under-equipped to handle that wealth."

Not that inheriting wealth means you have the education to deal with it. Margaret, who does not want to be further identified, comes from a wealthy North American family, and last year attended one of Loedstar's week-long Young Investors programmes.

"People expect you to know about money if you grow up with it - but somewhere along the line you can miss the crucial steps," she says. "The programme gave me an extra edge of confidence, so I am not afraid to speak up. It gives you an insight into financial matters, so you can read the newspapers and understand what is going on." The problem is that you have two choices in finding out how to manage your own money. Ask an adviser, and risk either biased advice designed to sell products or too brief an explanation because of time and cost, or go on a course designed for City professionals, such as those run by business schools or local stock exchanges. Neither hits the spot.

Brown argues that "the adviser-client relationship has a lot of education embedded in it", and private banks and investment managers claim to spend much time explaining financial matters to their clients. Private banks offer a day at the bank for the children of clients (anything from age 14 upwards), a day spent visiting different departments and talking about the basics such as what a share is or how to deal with your bank manager.

"It is meant to be fun, not a school course," says Brian Keeble, director of Kleinwort Benson private bank. "You don't get tested at the end of the day."

Werner Peyer, head of private banking at Coutts, says such days out are designed to help children overcome their fear of the bank.

But private banks are in the business of selling their services - albeit wrapped in as close a personal relationship as any within a family but that in itself can lead to problems, and an unwillingness to ask awkward questions.

"Many people feel uncomfortable with their advisers who may be doing a perfectly good job," says Partridge. "They don't want to appear in a weak position, and they don't want to look foolish by asking questions."

There can be even more deep-seated resentments. Many of those who inherit money inherit the advisers to go along with it, and don't feel they have a choice about who manages their money.

This can lead to a psychological morass, where emotions about the adviser become entangled with emotions about the person from whom they inherited the money.

Dr. Ronit Lami, a psychologist, works with clients of The **Allenbridge** Group to help them understand and tackle the problems caused by having a lot of money. She identifies worries about not fully knowing how to manage an inheritance and about feeling that other people are determining your life.

There may also be a suspicion that your advisers are not up to the job - but you are unable to prove it and are reluctant to show either concern or ignorance.

"Often the wealthy don't feel comfortable with their advisers. They want to understand the concepts, but don't want to look foolish by asking questions that they think could be stupid. They don't want to be in a weak position *vis-à-vis* their advisers," says Partridge'

That view shows up at courses run by Lance Moir, senior lecturer in finance and accounting at Cranfield Business School. Although the courses on which he lectures are designed for leading figures in the boardroom, "people start asking all sorts of absolutely basic questions about share options: 'What is a good investment?' or 'How do I manage risk and return?' A managing director is not allowed to look stupid, so they don't ask the basic questions."

Finding truly independent advice is not easy. Family Office Exchange (FOX), the forum for wealthy families, runs a two-day learning centre where families and individuals can get together and learn about issues such as strategic planning. "It is also for families to meet other families with the same problems," says Ilona Thykier, who runs the UK office of FOX.

The same point is made by Partridge.

Perhaps the wealthy are just like us after all. They tend to pick up their financial knowledge the same way most of us do: a bit from formal learning, a bit from advisers and a bit from our friends.