

## Practice of Wealth Management for High Net Worth Clients

**Professor Maria Brisbane**

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**COURSE DESCRIPTION**

**Maria Brisbane**, Managing Director, Merrill Private Wealth Management and **Alex Zachary**, Vice President, Merrill Private Wealth Management.

The purpose of the course is to provide students with a fundamental understanding of the business and practice of wealth management. Topics will include an overview of asset management, equity portfolios, stock selection, valuation metrics, mutual funds, ETFs, outside managers, asset allocation, income needs, and illiquid investments. These subjects will be discussed in the context of the changing macroeconomic environment.

Emphasis will be placed on the importance of relationship management. Who are the clients? What are their core values and goals? We will discuss topics such as money and identity, success and status, family dynamics, and philanthropy.

We will also address ways of understanding the purpose of wealth management, and the shifting focus from investment returns to a “goals-based” approach.

**REQUIRED COURSE MATERIALS**

Evensky, Harold and Stephen M. Horan, *New Wealth Management*. New York: Wiley, 2011

Chhabra, Ashvin B., *Aspirational Investor*. New York: HarperCollins, 2015

**CONNECTION TO THE CORE**

Prerequisite: Capital Markets

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

Core Course	Connection with Core
Corporate Finance	<ol style="list-style-type: none"><li>1. Cost of Capital</li><li>2. Valuation</li><li>3. Financing Options</li><li>4. Time value of money</li><li>5. Opportunity cost (of capital)</li><li>6. The Capital Asset Pricing Model (CAPM)</li><li>7. Firm Valuation Model</li></ol>

Managerial Economics	<ol style="list-style-type: none"> <li>1. Barriers to entry</li> <li>2. Moats</li> <li>3. Maximization and thinking on the margin</li> <li>4. Analyzing complex decision-making under uncertainty</li> <li>5. Decision-based cost analysis</li> <li>6. Understanding market competition and equilibrium thinking (in the short-run)</li> <li>7. Strategic interaction among firms</li> </ol>
Strategy Formulation	<ol style="list-style-type: none"> <li>8. Trade-offs, value-added, efficiencies</li> <li>9. Creation of value vs. value capture</li> <li>10. Competing firms</li> <li>11. Co-competition and Complementors</li> <li>12. Strategic interaction analysis</li> <li>13. Diversification and scope</li> <li>14. Ethics &amp; IBS</li> <li>15. Behavioral and evidence-based strategy</li> <li>16. Management</li> </ol>

Students will be expected to have mastered these concepts and be able to apply them in the course.

**CLASSROOM NORMS AND EXPECTATIONS**

Students are expected to adhere to CBS Core Culture in this class by being Present, Prepared, and Participating.

***Class Participation:***

Preparation, Discussion, Organization

***Guest Speakers:***

This course will involve several buy-side and Company Management guest lectures; class participation will be crucial to the success of the course.

Seminar	Discussion Topic
<b>Session One</b> <b>January 29</b>	<b>Profession of Wealth Management</b> Recent history of the industry – overview of major firms – “business” versus “profession” of wealth management – individual versus institutional investors – purpose of professional investment management – how wealth managers are paid – course themes: trust, risk, client emotion, human capital
<b>Session Two</b> <b>February 5</b>	<b>Asset Classes 1</b> Asset allocation overview – evolution from 60/40 split to dynamic asset allocation – fixed income: treasuries, munis, corporates, yields, durations – real assets: natural resources, real estate, commodities, currencies – cash: dry powder, hedge, volatility dampener – correlations and return expectations
<b>Session Three</b> <b>February 12</b>	<b>Asset Classes 2</b> Equities – sector, style, size, quality, earnings, cash flows, balance sheet, debt, dividends, valuation, multiples – large/mid/small-cap – growth/value – defensive/cyclical – geography – corporate governance – active versus passive management – individual securities versus pooled investments – mutual funds – ETFs – SMAs – model portfolios
<b>Session Four</b> <b>February 19</b>	<b>Clients</b> Defining “high-net-worth” – sources of wealth and types of income – characteristics of “high net worth” investors – five primary determinants: time horizon, income/liquidity needs, risk tolerance, return expectations, unique circumstances/tax considerations — client education – behavioral biases and client emotion – fiduciary responsibility
<b>Session Five</b> <b>February 26</b>	<b>Portfolio Construction 1</b> Constructing a portfolio based on client inputs – sectors, industries – overweights/underweights – stock selection – position size – number of stocks and diversification – risk and return – getting to a target allocation – disciplined/opportunistic approach
<b>Session Six</b> <b>March 4</b>	<b>Portfolio Construction 2</b> Performance measures – benchmarks and outperformance – contributions from sector, stock selection/beta exposure, and market timing – after-tax performance – risk and permanent loss of capital – compounding – “be there” chart – nature of the endeavor, new information, and exogenous events
<b>Session Seven</b> <b>March 25</b>	<b>Personal risk, market risk, and aspirational risk</b> Efficient markets and Markowitz backdrop – shift from “returns” focused investing to “goals-based” approach – using “risk-buckets” with individual investors – defining “personal risk,” “market risk,” and “aspirational risk” – preservation and wealth mobility
<b>Session Eight</b> <b>April 1</b>	<b>Alternative Investments</b> Role of illiquidity – performance of alternatives – management fees, carried interest, preferred returns – overview of relevant firms – hedge

	funds: equity long/short, global macro, relative value, event-driven – private equity: LBO, real estate, distressed debt, infrastructure
<b>Session Nine April 8</b>	<b>Taxes, Trusts, and Estates</b> Wealth transfer for tax-sensitive individuals – overview of capital gains tax, gift tax, estate tax – tax-deferred growth – cost-basis and step-ups – planning vehicles used in wealth transfer – family trusts, charitable trusts, family foundations – family dynamics and governance
<b>Session Ten April 15</b>	<b>Relationship Management</b> Know your client – understanding client needs and goals – emotional and analytical intelligence – client sophistication – human capital – styles of client communication – acquiring new clients – building a network – communicating your value and setting expectations
<b>Session Eleven April 22</b>	<b>Macro Environment</b> Market outlook – U.S. and global growth – inflation/deflation – interest rate environment – wages and unemployment – productivity – demographics – political environment – regulatory environment – sector disruptions, technology and biotechnology – public versus private equity
<b>Session Twelve April 29</b>	<b>Final Presentations</b>

**METHOD OF EVALUATION**

Class Participation	33.3%
Individual Presentation	33.3%
Final Group Presentation	33.3%

**ASSIGNMENTS**

Students will submit short written responses to our readings and/or classwork every week. Credit for these assignments will count toward the Class Participation grade.

Over the course of the semester each student will be assigned one reading to summarize and present in class. Credit for these assignments will count toward the Individual Presentation grade.

At the end of the semester students will be divided into groups to analyze and present an investment idea for a high-net-worth client. Credit for these assignments will count toward the Final Group Presentation grade.

All of your assignment submissions are subject to the [CBS Honor Code](#). Violations of the CBS Honor Code may lead to failing the assignment, failing the course, suspension, and/or dismissal. In order to avoid ambiguity that may lead to unintentional violations of the Honor Code, assignment description types have been standardized and specified below.

<u>Type</u>	<u>Designation</u>	<u>Grade</u>	<u>Preparation of submission</u>	<u>Discussion of Submission*</u>	<u>Discussion of Concepts**</u>
A	Group Work	Same grade for all group members	By the group	Permitted to discuss (within group)	Permitted
B <sup>1</sup>	Individual w/ Discussions of Concepts and Submission	Individual grade	Individual preparation	Permitted to discuss; sharing solutions or submission files is not allowed	Permitted
B <sup>2</sup>	Individual w/ Discussions of Concepts Only	Individual grade	Individual preparation	Not permitted to share/discuss solutions or submission	Permitted
C	Individual	Individual grade	Individual preparation	Not permitted to share/discuss solutions or submission	Not permitted***

\* The designated group can be either an assigned study group or a self-selected one.

**ATTENDANCE POLICY**

Students are required to attend each class. Unexcused absences will affect your course grade.

**INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS**

At Columbia Business School, we believe that diversity strengthens any community or business model and brings it greater success. Columbia Business School is committed to providing all students with the equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias on the basis of gender, sexual orientation, race, ethnicity, socioeconomic status, or ability.

Columbia Business School will make reasonable accommodations for persons with documented disabilities. Students are encouraged to contact the Columbia University's Office of Disability Services for information about registration. Students seeking accommodation in the classroom may obtain information on the services offered by Columbia University's Office of Disability Services online at [www.health.columbia.edu/docs/services/ods/index.html](http://www.health.columbia.edu/docs/services/ods/index.html) or by contacting (212) 854-2388.

Columbia Business School is committed to maintaining a safe environment for students, staff and faculty. Because of this commitment and because of federal and state regulations, we must advise you that if you tell any of your instructors about sexual harassment or gender-based misconduct involving a member of the campus community, your instructor is required to report this information to a Title IX Coordinator. They will treat this information as private, but will need to follow up with you and possibly look into the matter. Counseling and Psychological Services, the Office of the University Chaplain, and the Ombuds Office for Gender-Based Misconduct are confidential resources available for students, staff and faculty. "Gender-based misconduct" includes sexual assault, stalking, sexual harassment, dating violence, domestic violence, sexual exploitation, and gender-based harassment. For more information, see <http://sexualrespect.columbia.edu/gender-based-misconduct-policy-students>.