

private asset *management*

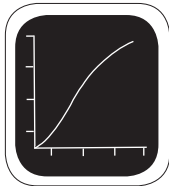
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The pipeline to the affluent

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Private Asset Management



LEARNING CURVE®

The Secret Path To Wealth Preservation

By **Natasha Pearl**, ceo and founder, **Aston Pearl**

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What if there were an amazing secret to preserving wealth, but it was often overlooked by families and by their advisors? Families, family offices and wealth managers all focus on investing, but can't control the results. They can't make the Standard & Poor's go up 10% a year, they can't guarantee that one of the hedge funds won't blow up, and that fees and taxes won't eat up returns.

But here's something that can be controlled. Families can cut their residential and lifestyle expenses, starting today. It isn't particularly pleasant and requires difficult decisions but it is most definitely within their control. As a starting point, does the family even know what its lifestyle costs are? Which are the highest expense items? While even the ultra-wealthy may gripe about the cable bill and the cost of a Frappuccino, that is not where the high impact savings are going to be found.

Have a boat that is rarely used? A home that is costly to maintain but never visited? Art in storage? Jewelry that is insured but never worn? Full-time, year-round staff at a home used two weeks a year? An interior designer in an endless loop of redecorating? Private air travel "fit for a king" when a more modest solution would suffice? Landscaping, arborist, and window-washing fees that have skyrocketed for no apparent reason? An estate manager who you suspect is receiving kickbacks from vendors? A chef who chronically purchases "extra" lobsters sufficient to feed an army, rather than just your family?

Families and advisors may say, "Why bother?" Well, here is why. Many family members who depend on trust funds for income are facing a new reality. The corpus, in many cases, suffered serious damage in the economic storm. The beneficiaries' checks are smaller as a result. What's the alternative for the strapped beneficiaries? They can try to cut expenses by themselves, find an advisor to assist, or there is always trust litigation.

Other families, viewing themselves as stewards of the family fortune, stick to the standard "rule of thumb" about how much can be spent each year while still preserving the capital nest egg. But whether that rule of thumb is 4% or 6%, an environment

of volatility and uncertain returns calls these arbitrary rules into serious question. And, of course, that capital "pie" will be divided into ever-smaller wedges as the next generations inherit. So, all of these are reasons to proactively restructure residential operations. And the more homes, private staff, and vendors a family has, the larger the opportunity there is to do so.



Natasha Pearl

Bill payment is a great place to start. All families pay bills, or someone pays the bills for the family. Here's the way that most families pay bills: a bill comes in, someone writes a check. We call this the "unconscious method." Instead, apply business principles and analyze the bill. Look for errors, compare it to prior bills, compare it to the vendor's contract terms, and only then write the check.

Pearl founded Aston Pearl in 2002, a "family office for everything except money," providing objective advisory to SFOs on private staffing, aviation, art, eldercare, and other lifestyle areas. In addition to leading Aston Pearl, she co-founded SFO Advisor Select in 2009, which assists SFOs with selecting advisors in areas including accounting and investment consulting. Pearl can be reached at npearl@astonpearl.com.

Activity	Old Way	New Paradigm
Bill Payment	Just write a check	Analyze and compare first, then pay
Make vs Buy	Whatever made sense at the time	Identify requirements, then choose best provider inside or out
Obtaining Bids from Vendors	It costs what it costs	The Finch Principle – Is That Your Best Price?
Private Staff Performance Management	It's obvious; the staff know what to do	Checklists and performance standards