Investment Options for the Ultra Affluent

Shirley M. Mueller: Physician's Financial News Live

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Real wealth used to start at $1 million in liquid assets. Now, it starts at $2 million, according to a recent WSJ article.* Everything is getting more expensive, even being classified as wealthy.

Of course, this applies to physicians too. Though most doctors aspire to have at least a million in reserve when nearing retirement, this sum is no longer considered wealthy by all. On the other hand, a smaller number of doctors in higher paying specialties hope to have $5 million and above at retirement. They are wealthy by almost every definition.

Lastly, there are entrepreneur doctors who are inventors or who own buildings, or dare I say, the plastic surgeons, who can make much, much more. Some of these physicians easily have $25 million and above. They are the ultra affluent, according to Scott D. Welch. His article, "Consulting to the Ultra Affluent" was published by the Chartered Financial Analysts Institute in March 08. They are joining a group of 47,000 other individuals* with $20 million and above.**

Though the more established wealthy person knows instinctively what to do with his/her money, a newly wealthy person, like many physicians, is not always so fortunate.

Here are some ideas. If one presumes that an ultra wealthy person has more money than time, and this is often the case, a wealth management company is frequently the best option. Such an organization offers not only portfolio management, but also estate planning, tax optimization, family office services, charitable contribution planning, etc. These benefits can be enormous in addition to the portfolio management.

Some organizations that can be helpful in ferreting out the right wealth manager for this are the Institute for Private Investors (IPI) based on NYC and the Family Office Exchange (FOX) based in Chicago. Each organization is composed of very wealthy families and their advisors. Both have educational seminars as well as other perks of membership.

Though the organizations don't advertise how much wealth is enough to join, 38% of the families belonging to the IPI have $200 million or above, 40% have $50-200 million and 22% have $50 million or less. Nevertheless, $25 million is considered ultra affluent, and even that sum should qualify, at least if you know the right people; the IPI does require that an existing member endorse a new candidate.

Though this might sound difficult, it is not as tricky as it seems. When money is available and put to use, hob-knobbing with the rich and somewhat famous can more easily happen. As an example, my husband and I met a wealthy heiress when staying at the high end Cipriani hotel in Venice (a treat to ourselves).

She was a member of IPI, and if we had qualified, could have recommended us if we had chosen to join.

The advantage of belonging to such an organization is that the ultra affluent can share opinions, ideas, and future directions with people monetarily similar to themselves. Just as "birds of a feather flock together," the ultra affluent often do too and the organizations mentioned above provide the perfect opportunity for that interaction.

*Tom Herman (2008) Tax Report: WSJ 8 27 08, pg D2. He interprets the IRS Statistics of Income Division data, 200

**Below this group were the lesser categories with substantial wealth, but not enough to be considered "ultra affluent." Seventy nine thousand had $10-20 million. Two hundred and thirty one thousand had $5-10 million. Two hundred and forty thousand had $2.5-5 million. Finally, 846,000 had $2-3.5 million.