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Ultrawealthy Tiger 21 investors learn from one another

Being a member is like having your own personal board of directors, says founder Michael Sonnenfeldt. Members with more than $10-million are looking to achieve personal goals beyond investing

TERRY CAIN

Leon Goren, top, chairman of Tiger 21's Toronto chapter, sums up the value of the group as an opportunity for members to develop their skills and abilities to be disciplined investors. Tiger 21 was founded almost two decades ago by Michael Sonnenfeldt, who cut his teeth at Goldman Sachs in New York, then became a successful real estate developer before looking for a new challenge. TIGER 21

There are no shortage of advisors looking to help the rich manage their finances. The players in Canada's financial sector continue to shift their focus to "high-net-worth" (HNW) customers. The latest example is Investors Group – this fall it rebranded as IG Wealth Management as part of a plan to capture more of the higher end of the market.

But for many high-net-worth individuals, the advice they value the most is what similarly affluent people have to say. After all, who better understands how to make money, and keep it, than a successful fellow entrepreneur?

That's a big part of the philosophy behind Tiger 21 – a kind of social club for entrepreneurs and wealthy people where they can swap investing ideas and other techniques for preserving and creating wealth. The organization has a toehold in Canada and is planning to expand. Its alternative approach could be an attractive option for some high-net-worth individuals – though it is not without risk.

PEER-TO-PEER LEARNING

Tiger 21 bills itself as a peer-to-peer learning network for high-net-worth investors – the name is actually an acronym, standing for "The Investment Group for Enhanced Results in the 21st Century." It was founded almost two decades ago by Michael Sonnenfeldt, who cut his teeth at Goldman Sachs in New York, then became a successful real estate developer before looking for a new challenge.

"I had just sold my second company and felt in need of others who had travelled the same road before me," he says. "Although I was enjoying significant success, I felt challenged to preserve my wealth. I found that others felt the same way and needed a peer membership organization that would prevent them from making some of the same mistakes that I had made the first time around."

Tiger 21 started 19 years ago with a single group of six entrepreneurs in New York who had all sold their businesses. Mr. Sonnenfeldt says as the group evolved it became clear that issues of legacy, family, philanthropy and "what to do next" were on their minds, and it worked well to have peers to share views on these matters.

"Being a member of Tiger 21 is like having your own personal board of directors, powered by the collective intelligence of a group of exceptionally successful wealth creators, in a confidential setting, with no agenda but yours."

Prospective members go through a screening process. If they are approved, the only other hurdle is the annual membership fee: $30,000. Members are legally bound by confidentiality agreements, pledging not to divulge private information disclosed at meetings. As well, the organization says it does not allow sharing of insider information that would violate any securities laws.

The Tiger 21 website says the confidential process of qualifying members also includes a comprehensive background and credit check and conversations with references, one of whom must be a CPA or other professional advisor who can provide written verification of the candidate's financial qualifications.

Alternatively, the candidate can provide statements from a financial institution substantiating investable assets in excess of $10-million.

FIVE CHAPTERS IN CANADA

Each Tiger 21 group of 12 to 15 members meets once a month and is led by a chair.

There are more than 640 members in 53 groups in 30 locations across the United States, Canada and Europe. There are five locations in Canada – Toronto, Montreal, Vancouver, Calgary and Edmonton. They include about 90 members.

Leon Goren is the chairman of Tiger 21's Toronto chapter. He says the essence of Tiger 21 is to provide members with an opportunity to develop their skills and abilities to be a disciplined investor, to enhance their wealth, and to achieve personal goals beyond investing.

He says the group's Toronto members tend to invest for the long term and will essentially only alter their portfolios a couple of times a year with the addition of a new investment.

"Sometimes not making a bad investment is of more value than simply investing in the public markets and/or alternative investments," he says.

Mr. Goren shares one notable example from his Toronto group. "A few years ago a leader in the cannabis industry was invited to present to the group," he says. "At the time there were still some very big question marks around whether cannabis would be legalized in Canada; however he did present a very strong argument about the size of the opportunity and the potential risks with becoming involved at that time. As members, we deliberated his presentation, considering the political environment and the overall risk of the investment."

Mr. Goren says every member looked at the investment differently depending on how they managed their finances and risk profile. Over the next months a number of them did make an investment in that business through an early private placement. "Many of our members have done very well with that investment."

NETWORKING EXERCISE

While Tiger 21 has proven popular, it is not without its critics. Some experts think the dues are "very high," and that membership might just be a status symbol.

If you are considering joining Tiger 21, it may be helpful to ask yourself a number of questions. Adrian Mastracci, senior portfolio manager at Lycos Asset Management in Vancouver, says one of the first questions should be: What are you seeking from this networking exercise?

Other points he believes should be pondered include: What is missing or in need of tweaking in your current long-term plan? Are the goals you seek aligned with the group goals? Do you have sufficient time to get the full value from the group?

Mr. Mastracci notes you may have to engage new professional advisors to scrutinize the value of new advice, and there may be additional risks and complications.

Mr. Goren sums up the value of Tiger 21 as an opportunity for members to develop their skills and abilities to be disciplined investors.

Mr. Sonnenfeldt notes that Tiger 21 members are roughly as successful on a comparative basis as a major league athlete – about one in 17,000. "Even the best hockey players in the world like to learn from one another and share their concerns, confidentially and out of the public eye."

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Got a million? You qualify for high-net-worth investing advice

KATHY KERR

How much money does a client need to get the services of a high-income financial planner?

Most high-net-worth wealth management firms deal with customers with at least $1-million to $5-million in investable assets, says Charlie Sims, CEO and president at Cumberland Wealth, a firm with offices in Toronto, Calgary and Kingston.

"At Cumberland, most people show up with at least one account of $500,000 and then they arrive with a series of other accounts ... RRSP, TFSA, RESP, spousal. Many people have a corporate account because they're running their own business."

It's the combination of services provided that bring those clients through the door of the wealth management firm, Mr. Sims says, including tax and retirement planning, estate and legacy planning.

"We manage money on a discretionary basis, which means we take on a fiduciary responsibility for our clients. All of our client-facing individuals have the chartered financial analyst designation, the CIM [Chartered Investment Manager] designation or are certified financial planners. Many of them have business degrees. Some of them have chartered accountant designations and we have a suite of portfolio managers who are responsible for running investment pools," Mr. Sims says.

And high-net-worth firms, most of which charge a fee for service, also are willing to put in the all-important time with the client. They set themselves apart with a premium "high-touch" experience, offering far more than investment advice.

At Sandstone Wealth in Calgary, clients can expect three initial meetings with the company's team to determine whether the client and the firm are a good fit, president Brent Pickerl says. Then there is another meeting to go over statements and there will be quarterly meetings for the first year. After that, it's up to clients to choose how often meetings are scheduled.

Sandstone clients generally have a minimum of $2-million to invest, Mr. Pickerl says, although younger clients with "great characteristics" and good wealth potential are also in the customer mix.

Clients come to Sandstone for the global investment focus and "they want to hire an expert and they've outgrown the bank and don't want to do it themselves."

The firm provides a variety of services and works with clients' personal lawyers, accountants and their families. If there are services and investments not available in-house, Sandstone will find them. And unlike less-premium firms, the company offers services related to foundations and family trusts.

At Elevate Wealth Management, a team of advisors in Vancouver under the Quintessence Wealth umbrella, clients need about $250,000 to access services, portfolio manager Rob Parrish says. That is not high net worth these days, Mr. Parrish says. The average client at Elevate probably has $500,000 and up, he adds.

"What we found is that most of the new clients we're meeting, unless they have about that number [$250,000], they're focusing on the day to day. They don't have a lot of options moving forward.

"Frankly, my partners and I have been in the business for 20 or 30 years. Most of our clients have been with us 15 or 20 or 30 years. We only have so many hours in a day. We put limits on new clients and we just cannot accept clients with low dollars that frankly we can't really help very much," Mr. Parrish says.

"Our practice is focused on clients who want their advisor to manage their money on a discretionary basis, but also want a high touch. Most of them want to be talking regularly about the other areas their investments support – education, retirement planning, tax planning."

The face-to-face helps Elevate partners get a feel for the client. "Sometimes their stated comfort with risk is high, but we can see it in their eyes that if they knew more it may not be that high," Mr. Parrish says.

Abacus Wealth in Edmonton offers high touch for clients but doesn't have a minimum floor level in terms of assets.

The group of 17 independent brokers offers investments and insurance products, and debt and financial planning counselling, advisor Trevor Bernes says.

"We have pretty low overhead for our advisors and they get paid more on the share of what's available than a typical high-net-worth planning firm. If you look at ... a wealth management firm at a bank, they're typically getting 20 to 40 per cent of the commissions generated. Our advisors get about 65 per cent, for our newer advisors to as high as 85. So when you're getting 85 per cent of the pie you can spend more time because you're not sharing your earnings with a large corporate structure."

Mr. Bernes estimates he spends three to four hours in meetings with new clients in the first month. He thinks the industry as a whole is moving to lower levels of service for lower-net-worth clients.

"The regulators are going to start to determine the answer to this question. Right now on the table they're talking about taking away deferred sales charging investments. That's where you get paid an up-front commission that does not charge the client unless they leave the financial institution you've set them up with.

Mr. Bernes says without the deferred sales charge, for advisors at a large brokerage the commission on a $50,000 investment isn't enough to pay for enough time to create a customized financial strategy.

"The commission structure and the time versus compensation for advisors is what's dictating this aversion to the smaller family client and forcing advisors to only take on a large amount of capital," Mr. Bernes says.

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Rob Parrish, portfolio manager at Elevate Wealth Management in Vancouver. DARRYL DYCK/THE GLOBE AND MAIL