**Practice of Wealth Management for High Net Worth Clients**

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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**

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:

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| **Core Course** | **Connection with Core** |
| Corporate Finance | 1. Cost of Capital 2. Valuation 3. Financing Options 4. Time value of money 5. Opportunity cost (of capital) 6. The Capital Asset Pricing Model (CAPM) 7. Firm Valuation Model |
| Managerial Economics | 1. Barriers to entry 2. Moats 3. Maximization and thinking on the margin 4. Analyzing complex decision-making under uncertainty 5. Decision-based cost analysis 6. Understanding market competition and equilibrium thinking (in the short-run) 7. Strategic interaction among firms |
| Strategy Formulation | 1. Trade-offs, value-added, efficiencies 2. Creation of value vs. value capture 3. Competing firms 4. Co-competition and Complementors 5. Strategic interaction analysis 6. Diversification and scope 7. Ethics & IBS 8. Behavioral and evidence-based strategy 9. Management |

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.

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| **Seminar** | **Discussion Topic** |
| ***Session One***  ***January 25*** | ***Profession of Wealth Management***  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 |
| **Session Two**  ***February 1*** | ***Asset Classes 1***  Asset allocation overview – evolution from 60/40 split to dynamic asset allocation – 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 |
| ***Session Three***  ***February 8*** | ***Asset Classes 2***  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 |
| ***Session Four***  ***February 15*** | ***Clients***  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 |
| ***Session Five***  ***February 22*** | ***Portfolio Construction 1***  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 |
| ***Session Six***  ***March 1*** | ***Portfolio Construction 2***  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 |
| ***Session Seven***  ***March 22*** | ***Personal risk, market risk, and aspirational risk***  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 |
| ***Session Eight***  ***March 29*** | ***Alternative Investments***  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 |
| ***Session Nine***  ***April 5*** | ***Relationship Management***  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 |
| ***Session Ten***  ***April 12*** | ***Taxes, Trusts, and Estates***  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 |
| ***Session Eleven***  ***April 19*** | ***Macro Environment***  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 |
| ***Session Twelve***  ***April 26*** | ***Final Presentations*** |

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| Class Participation | 33% |
| Mid-Term Project | 33% |
| Final Project | 33% |

**METHOD OF EVALUATION**

**ASSIGNMENTS**

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

At the mid-term, students will submit a written project about a specific investment suitable for a high-net-worth individual client. Students will be expected to incorporate the concepts and methods introduced in the first half of the course.

At the end of the semester, students will complete a final project addressing the creation of a diversified portfolio of assets for a high-net-worth individual client.

All of your assignment submissions are subject to the [CBS Honor Code](http://www8.gsb.columbia.edu/honor/definitions). 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.

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| **Type** | **Designation** | **Grade** | **Preparation of submission** | **Discussion of Submission\*** | **Discussion of Concepts\*\*** |
| A | Group Work | Same grade for all group members | By the group | Permitted to discuss (within group) | Permitted |
| B1 | Individual w/ Discussions of  Concepts and Submission | Individual grade | Individual preparation | Permitted to discuss;  sharing solutions or submission files is not allowed | Permitted |
| B2 | 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>.