

FINANCIAL AND INVESTMENT ADVICE FOR OWNER MANAGERS: WHO DO THE MILLIONAIRES USE?

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Owner managers often ask me who they should speak to in order to get help managing their financial affairs, or how they should go about finding a good financial advisor. Thomas J. Stanley's recent book *The Millionaire Mind*¹ is a follow-up to his bestseller *The Millionaire Next Door*. This latest book provides some insight into the thinking, attitudes and practises of successful and proven owner managers. I am not one to re-invent the wheel, so these notes summarize some of the results of his research. Since the answer is pretty self-serving, I will let Dr. Stanley do most of the talking.

Introduction

These notes can only hit highlights that I found particularly interesting. There is no substitute for buying and reading Dr. Thomas's book for yourself. However, I hope this article will stimulate your own thinking and blaze a trail you can follow for yourself.

Where Do Millionaires Get Financial and Investment Advice?

- most millionaires do not have one investment advisor – they have three
- the group usually includes their accountant and their lawyer, and one other financial person (stockbroker, financial planner, etc.)
- they use their accountant and lawyer to help select and screen other advisors they might need (e.g. stockbroker, insurance agent)
- more than 2/3rds of American self-made millionaires rely on investment advice from CPAs² and attorneys
- in fact, the higher income earners in Dr. Stanley's survey were three to five times more likely to consult with CPAs and attorneys regarding investments than stockbrokers
- this makes sense, since most millionaires do not limit themselves to stocks and bonds, but also invest heavily in private businesses and real estate

According to Dr. Stanley: *“In the long run, it is very beneficial to have a trusted CPA and attorney work with you throughout your adult life.”* (p. 151) ... *“In fact, there is a direct positive correlation between one's net worth and the use of certified public accountants, attorneys, or tax consultants as investment advisors.”* (p. 153)

- naturally they get more than investment and financial advice from their CPA and attorney, as indicated by the following chart set out in Dr. Stanley’s book
- this chart is based on a survey Dr. Stanley did of 185 multimillionaires, each of whom had a minimum net worth of US\$5 million, with respect to investment advice they received in the previous twelve months

<i>Investment Advisor</i>	Investment Advice		Other Financial Services	
	<i>Received (%)</i>	<i>Rated as Very Productive (%)</i>	<i>Provided (%)</i>	<i>Rated as Excellent or Good Quality (%)</i>
CPA	71	75	85	87
Attorney	67	78	81	84
Tax specialist/consultant	46	82	48	88
Life insurance agent	29	32	35	66
Stock broker	21	62	72	64
Financial Planner	15	70	15	65

I have been advising my business clients for years that their primary business and financial advisor should be a competent Chartered Accountant, but that a good business lawyer should be their number two. Now I have some independent research backing up that advice.

It is not that stockbrokers and other product based financial advisors do not have their place. Obviously they do. They are very important participants in the investment and wealth creation process, especially to the extent that publicly traded securities and insurance products are part of the wealth creation or wealth preservation strategy for their clients.

However, unlike many stockbrokers and financial advisors, accountants and lawyers will consider the entire spectrum of investment opportunities when assisting a client (including investing more into the client’s business, other private investments, and real estate), and they do not (and should not) have any vested interest of any kind in the investments being discussed.

Fortunately, a new breed of financial advisor is cropping up – one who builds a team to support his or clients, and who consciously puts accountants and lawyers on the team. They also take a holistic view of their clients’ needs and financial planning, which includes private companies, real estate, and good tax and estate planning, as well stocks and bonds.

In the end, it seems the key is to put together a multi-disciplinary team to support your investment decisions.

In the meantime, it is always good to know what your role models are up to.

¹ Stanley, Thomas. J., Ph.D., *The Millionaire Mind*, Andrews McMeel Publishing, Kansas City (2001).

² In Canada, a Chartered Accountant (CA) is the equivalent to a Certified Public Accountant (CPA).