

ADVISOR PRACTICE MANAGEMENT | ADVISOR Q&A

Here Is What Wealthy Families Worry About, Says Evercore's Chris Zander

BY STEVE GARMHAUSEN

Mo Money Mo Problems: The equation, popularized by the 1997 rap anthem of the same name, may or may not be accurate. But it's safe to say that more wealth does bring different problems. Chris Zander, the president and CEO of \$14 billion-asset Evercore Wealth Management and sister company Evercore Trust, says of very wealthy families: "They worry about taxes. They worry about transferring wealth tax efficiently. But I would say the top concern is how to educate the next generation to succeed in managing wealth for the family."

Speaking with Barron's Advisor, Zander, who was his baseball team's captain at Columbia University, explains how finding entry points to investments is like batting against a skilled pitcher. Though his New York-based businesses don't have private-equity backing—they're majority owned by Evercore the investment bank—Zander applauds the flood of private-equity money into the wealth management industry. And he discusses the importance of making talented recruits part of one team.



ILLUSTRATION BY KATE COPELAND

How did you get started in the wealth management business? I'm a little over 30 years in the business. I started my career at U.S. Trust right out of Columbia University. I spent the first 15 years of my career there, and early on I worked in a group that advised family businesses. Growing up, my family had a restaurant business, and I remember when I was interviewing saying that I'd grown up in a family business, but

the ones that you're dealing with are so much bigger. My future boss said, "Chris, the issues are the same. It's just the numbers that are different." And I immediately felt a little bit at home, understanding that there are the business issues and there are

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Expiration Date: 11/05/2025

the family dynamics issues and how those come together.

Most of the business owners we dealt with didn't want us to advise them on what to do with their business strategy, but they did need personal wealth planning strategies, estate planning, tax planning, insurance, all the different planning areas. I worked very much there, with business owners, corporate executives, venture capitalists, in helping them devise business plans for their personal financial life, which ran concurrent with whatever they were doing in their professional lives.

Along the way I ran the multifamily office for U.S. Trust, which was the business with its largest families. We were merged into Bank of America in 2007, and I ran the national family office practice at that time for a couple of years.

How did you wind up at Evercore?

My former CEO at U.S. Trust, Jeff Maurer, decided to recruit us to start a wealth management business for Evercore. Evercore is a leading investment banking firm, a public company, founded by Roger Altman in 1995. It was looking to diversify into the wealth and asset management businesses, and we joined with Evercore to start the wealth and trust business in 2008.

Twelve of us were my former colleagues from U.S. Trust, including Jeff. We joined right in the midst of the financial crisis, attracted former clients, built the platform. Over the course of the next 15 years, we lifted out some teams to join us, all coming from private banks and trust companies, all with a mind-set to helping clients through wealth planning, being their corporate trustee and investing their money long term. We attracted different folks to build offices in San Francisco, Minneapolis, in Florida in Tampa and West Palm Beach, and in Wilmington, Del., where we have our trust situs [place of legal jurisdiction].

We serve clients around the country, basically in every state, and manage \$13.9 billion for individuals

and families. We have about 95 people in our wealth management and trust businesses. We do have some cross-border families as clients. And we've built a strong 15-year track record of investment performance and delivering for our clients in the trust and planning areas.

Nobody starts a business to be the same as other businesses. What did the founders feel could be distinctive about Evercore? We felt there was an opportunity to advise clients in a very boutique setting and help them across the areas I mentioned, in a very high-touch environment. My colleagues and I had a wonderful run at U.S. Trust, and we wanted to get back to those roots, but also make it better. That includes our investment platform being better and continuing to improve, and having what we think is a very customized, well-regarded trust offering and platform to help families through what's going to be the largest transition of wealth in U.S. history.

Why is having an in-house trust offering important to your business? We do investments, wealth planning, estate planning, how to save in taxes, how to position assets in trust from an asset protection point of view. That's all in the strategy and then maybe the initial implementation. Where I think we take it to the next level is by having our own trust company. We're able to operate in a very flexible environment, work very closely with clients and make very favorable decisions. The governance aspect of being a trustee alongside the family, helping them administer trusts and deal with wealth transfer over a long period of time is very important.

So many families elect people who may be very trusted individuals and who may be sophisticated. But in this particular area, they may not have the background and experience to work with a beneficiary and deliver on the intent of the trust and the grantors who created it. People are now setting aside hundreds of mil-

lions of dollars into trusts that are going to go on for multiple generations. And that's all well and good, and you could save a lot in taxes, and maybe you could protect the assets, but part of protecting them is choosing who's in charge.

What we advocate is for Evercore Trust Company to serve as a co-trustee with individual family members to help guide them through these generations of wealth transfer and the sticky issues and the personal issues that come up. We can be the professional fiduciary and understand the family but also understand trust law and fiduciary law. That lets us come up with customized, unique solutions for clients.

So you're the corporate trustee working alongside the two-legged trustee in these cases. Exactly. And we advocate that the individual always have the power to remove and replace a corporate trustee that doesn't meet their objectives over time and the right way, or if the corporate trustee loses their way for whatever reason. So you're never fully locked in, but this allows us to deliver on the advice for wealth management, wealth succession, investment management over time, and be there along the way to help the family through this generational transfer.

What is your investment approach? We have experienced investors in our organization who have invested both in selecting securities and selecting managers. We have a very deep team of investment professionals who have managed mutual funds, they have managed individual client portfolios of equities and bonds and different types of fixed income as well as selecting private equity, private credit, and other managers in the alternative space.

We think having that mix of investment professionals who have had to compete and deliver investment performance and show the results to clients is important and unique. We have equity and bond strategies

that we manage ourselves, and when clients join us, we're able to integrate those portfolios without selling them out and incurring unwanted taxes and turnover. We want to bring clients our best thinking but do it in a tax-efficient fashion.

In addition, we have team members who are skilled at evaluating private equity, private credit and venture capital managers. We don't believe you just should be in these standard products that are in everything all the time. In each of those areas we monitor their relative value. It's like in baseball, if you're up at bat and you get pitches on the corner, you lay off them. But you go ahead and hit that pitch that's coming down the middle. When you know it's a good value, you should be aggressive.

We try to find managers that aren't the largest, that have a great performance track record, that we can interact with very well. When we're investing in portfolios, we think about how we approach how we invest, and whether it matches that same investment culture. That allows us to be on top of things and maybe make changes sooner, and not just take a passive approach.

What are wealthy families' biggest money worries? They worry about taxes. They worry about transferring wealth tax efficiently. But I would say the top concern is how to educate the next generation to succeed in managing wealth for the family. In some cases clients' wealth, through good market performance, through smart tax planning, has grown significantly beyond what they ever thought possible. And now they're worried about what's going to happen to their children, their grandchildren, and future generations.

Some of our clients are very hands-on and active with us. Some of their next generation have different interests and educational backgrounds. They need education on how to work as good stewards of the wealth.

Do you see any disruptive force coming for your industry? Is artificial intelligence it? I think AI definitely will help advisor productivity, and will help in other areas too, like investment analysis.

What do you think of the continuing influx of private-equity money into the business? I think it's a great thing for the industry. It's a validator for the wealth management and wealth advisory business that you have professional capital investing in the businesses long term. It shows there's a true value here, and it's also creating more choice for clients to work with firms that are aligned with their goals.

To what extent are you interested in M&A as a growth driver? We did acquire a firm in San Francisco, and we've looked at other things. We've also had teams join us and create offices. And then we've hired individual advisors and grown organically. We're very focused on culture. We're very focused on serving our clients well. We're always looking at opportunities to add talent, but we're going to do it in a smart way. We're owners in our business, and we're always looking at what's the right thing for our clients first and foremost, and then what's right for our business to help us continue to grow.

What I'm most proud of in our business is that we've grown to be one firm. When you walk into any Evercore Wealth Management office,

you're getting a consistent approach. That doesn't mean that our advisors don't have individual views and aren't independent thinkers. All of our advisors bring up great ideas. We talk about it all collectively, and we work together as one firm. I'm never prouder than when one of our advisors in Minneapolis finds an opportunity in New York and partners with our team there, and we all work together on that client.

It sounds like in your model individual hires or small lift-outs make more sense than buying firms. Everything we've done has worked pretty well, but it's really about finding that right team. And it could be in any one of those avenues that you mentioned. More recently, it has been individuals and teams joining us, usually to align with us in a very entrepreneurial way. There are some firms out there that have integrated well. I don't know what goes on inside of every firm, but within ours people get fully integrated when they join us. People bring different attributes and experiences, and we want everyone to get the benefit of all of that. And it's an outstanding training ground for our earlier-stage advisors, because they get to work with all these very experienced people across the board.

I feel fortunate to be part of the firm because we're not just relying on any one or two senior people. We have 32 partners in our business. The average experience is 20 years or 25 years. They've worked with very wealthy families on all aspects. And when you bring the collective amount of those experiences together, it's quite wonderful.

Thanks, Chris.