

Planners Without Borders

Span the globe with advisors who are setting up boutique practices in various countries.

By Marci Baker

November 1, 2007- James Ludwick is looking forward to the day when he can trade his cross-town commute for a cross-Atlantic one. The Odenton, Md.-based CFP is crafting a plan for semi-retirement that would allow him to live a few months of the year in Orvieto, Italy, the ancient hill-top town near Rome that is famous for its Etruscan ruins and Classico wine.

The planner fell in love with the town when he was stationed there with the U.S. Air Force. He has returned every year since and has seen a real need for his service. He plans to provide financial advice to Americans living in nearby expatriate centers, including Florence, Milan, Naples and Sienna. The work would be fee-only and limited to the U.S. interests of his clients. "There are very few people there who can advise Americans on their American assets face-to-face," he says. Of course, Ludwick's sojourns in Italy are as much about fulfilling a personal dream as they are about providing services to U.S. expatriates. "This is my plan for my semiretirement phase, in which I get to live in Italy part of the year," Ludwick says.

With more and more people choosing to live, work and raise families abroad, demand for cross-border financial advice is growing, while the availability of seasoned advice has remained in short supply. Ludwick is part of a nascent group of financial planners looking to fill the void by building practices that target the financial needs of expatriates and foreign nationals, often as a way to live abroad themselves. Some have pioneered planning in countries where it did not exist previously. Others remain based in their home countries, serving expats locally or nationals who are relocating overseas and have interests in other countries.

These planners typically have an affinity for international living, either because they've worked overseas, married internationally or have multicultural backgrounds. Many say it was frustration over their own international financial issues that led them to focus on cross-border planning for others. "Generally for someone to choose this specialty, there needs to be some sort of precursor that raises awareness of cross-border issues," says Laura Brook, director of international relations for the Financial Planning Association in Denver. "One of the best is having cross-border issues of your own."

MULTICONTINENTAL RELATIONSHIPS

That was the catalyst for Gerri Scott-Velie. The Australian CFP had worked in financial services for 12 years in Vancouver and London before returning home in 2005 to launch Demeter Wealth Management, a comprehensive fee-only financial planning firm. In London, Scott-Velie and her husband, an American also working in financial services, were on their own when it came to managing their assets between the U.K. and their respective home countries. Tax issues were especially thorny. The couple each had accountants in London, the U.S. and Australia, but there was no one person they could rely on to coordinate these tax positions. "It was years of frustration," says Scott-Velie. "So we would talk about what would be the ideal niche service-how much involvement we would have, how much control we would give them, what would be the defining factor in choosing that advisor."

Those discussions helped define the scope of Scott-Velie's own integrated practice, which she describes as "very high touch, very boutique," catering to wealth accumulators in the 22- to 42-year age range who want to live and work abroad. Her aim is to provide the kind of hands-on global support that she lacked in London, taking care of all aspects of her clients' financial lives. She sees herself as part life coach and emphasizes her clients' motives and aspirations in their financial plans. "We believe that 80% of everything associated with finance is emotionally driven," she says. "So we make sure that the clients' values are reflected in their strategies. Otherwise, we know those strategies will fail."

This approach fosters close-knit ties with her clients. It also helps that she has the kind of international lifestyle that her clients want to achieve. She and her husband essentially commute between two residences-hers in Perth, where her home-based business is domiciled, and his in North Carolina. Each spends a few weeks four times a year living and working at the other's home. They talk daily on the telephone when they are apart and sometimes meet up in Hong Kong when their schedules permit. "Neither of us wanted to give up our own country and we both love each other's country," Scott-Velie says. "We thought we could make it work

knowing that we are both very ambitious but still care about spending time with our respective families."

An industrious staff keeps the office running smoothly when Scott-Velie is on the road. Plus, she says she always travels with her BlackBerry and laptop, making it easy to stay on top of her work wherever she is. Like most cross-border planners her operations are paperless. More than domestic planners, advisors who work abroad rely on laptops, email, web-based video conferencing and Skype to stay in touch.

Brian Wruk went completely high-tech when he opened Transition Financial Advisors in Gilbert, Ariz. in 2001-a decision that he says was driven by lifestyle. The firm does U.S./Canadian planning on both sides of the border. Terry Ritchie, who joined him last year, works from Calgary and commutes to Arizona for a week or two each month. "We are completely mobile and completely paperless," Wruk says.

All of Transition's client files are on a server in pdf format, a contact manager records all of his emails and all statements are posted online, with links to view them delivered to clients via email. In addition, daily downloads, the production of statements, rebalancing reports and other back-office operations are outsourced to a firm in Miami.

Ironically Wruk and Ritchie feel the technology allows them to run a boutique firm that focuses on "relationships and creating an intimacy with our clients," says Wruk. They are completely mobile and will take to the road to visit clients in their homes. The portability of their business also accommodates their personal lifestyles. Canadian-born Ritchie can spend time with his children from a previous marriage in Canada, as well as with his current family living in Arizona. Wruk, a dual citizen raised in Canada, likes to head north for the summers to spend time with family.

This means that Transition's clients must have some technological know-how, given the absence of paper reports and communication. "If you are not somewhat Internet-savvy, then you are probably not a fit for our firm," says Wruk.

Clients don't seem to mind this approach. In fact, Robert Warren, who runs Independence Wealth Management in the U.K., rarely sees his clients. He works from his home in Cornwall and is available to clients via Skype, phone and email. "When we were designing Independence, we asked our clients if they wanted us to have an office and they said yes," " says Warren. "Then we said it's going to cost you 40 pounds an hour more and they said, oh, no."

Very few planners move overseas to set up practices unless they are married to a local or have blood ties in another country. Immigration and business ownership laws can be huge barriers, depending on the country. In Bermuda, for example, foreign business owners are required to have a local partner, and permanent residency generally requires citizenship. Countries like Mexico that encourage foreign investment make it relatively easy to start a business. Having the right contacts and sponsorship can help get you through the door in many European countries.

FORGING NEW PATHS

In the emerging market of Thailand, the requirements for foreign-owned businesses are especially challenging. Americans Chad and Peggy Creveling found careers working in institutional equity research in Bangkok but left to launch their own financial planning practice in 2004. They spent the next year clearing immigration, commerce, labor and securities hurdles before their firm, Creveling and Creveling Financial Planning Ltd., could open its doors.

The couple had to carve out new territory with regulators. A lot of time was spent writing a client manual and having it translated into Thai, taking examinations in Thai and sorting through copious documents-also in Thai. The effort resulted in Creveling and Creveling's becoming the first foreign-owned investment firm licensed by the Thai securities authority. The firm is also registered with the U.S. Securities and Exchange Commission for added credibility.

Other regulatory requirements inflated the couple's costs. Thai law requires capital commitments from foreign-owned firms of four million baht (about \$120,000). A labyrinth of labor-related rules required the couple to hire four Thai nationals for each foreigner in the firm. "The reality is you don't really start out as a small company," Creveling says. "You've got to generate lots of revenue quickly or you start running through your capital and into regulatory issues."

The couple's fee-only firm has attracted 15 clients since it opened a year ago, enough to cover living expenses and make a small profit. But as Peggy notes, there is a "huge need" for the

firm's brand of independent, non-commission-based advice because the expatriate population of working executives and retirees is booming in step with Asian economies in general. The firm's target market-primarily U.S. and European

corporate executives and retirees with assets of less than \$5 million-remains largely untapped. European private banks in the area don't want the business because they cater to the very rich. Other off-shore institutions offer pricey commission-based insurance products that don't make sense over the long term.

Currency risk is a big issue, especially for U.S. retirees who rely on dollar-denominated assets to finance lower-cost lifestyles in Thailand. If the already weak U.S. dollar continues to depreciate, it could threaten their future purchasing power in Thai baht and their ability to have a comfortable retirement.

But hedging exposure to an exotic currency like the baht through the use of derivatives can be prohibitively expensive. A better approach, Peggy Creveling says, may be to seek a natural hedge by shifting a portion of any taxable U.S. dollar assets into the local currency. Moving fixed-income investments into similar local instruments would be the preferable alternative, given the risk associated with investing in Thailand's volatile stock market. Another option may be to buy a condo or lease property, she says.

Some planners try to minimize the legal barriers to cross-border practices by limiting the scope of their clientele.

Ludwick's Italian business model sidesteps immigration laws and licensing requirements under Italian and European Union securities laws. He plans to advise only U.S. citizens about their U.S.-based assets on an hourly project-fee basis. Accounts will be documented and domiciled in Maryland, where his firm, Mainstreet Financial Planning, is based. The work will be conducted via the computer or in the U.S, and he'll travel to Italy on a tourist visa for the purpose of visiting his clients.

Ludwick ran this business plan by an attorney in Italy and was given assurances that it would stand up legally, although he says he will seek a formal written opinion on the matter down the line. "My business has been so explosive domestically, I haven't been able to semiretire," he says. "It's probably still six or seven years away."

Planners who launch practices abroad often find that cultural overtones conflicts can affect daily operations. To succeed, they need to adapt. Raoul Rodriguez-Walters, who runs Mexico Advisor, a comprehensive financial planning practice in San Miguel de Allende that caters to U.S. citizens living in Mexico, had a cultural leg up when he launched his company. He grew up in a bicultural, bilingual household with an American mother and a Mexican father.

But his work ethic is distinctly American, which can conflict with the cultural mind-set of his team. "If you are professional, what I expect is for you to work until you get the job done, even if that means staying late several days a week," he says. "My employees look at it differently. They work from nine until quitting time. If they don't complete a project, they say they didn't have enough time." As a result, Mexico Advisor has lower goals for billable hours than would be expected in the U.S. But the firm also has a bonus system that rewards employees who work longer hours.

JOINT VENTURES

Planners with clients spread out over multiple countries need to manage the laws and regulations of multiple jurisdictions. Beverly Hills planner Tom Zachystal, whose clientele spans four continents, knows he can't be an expert in all of them. Instead, he tries to establish joint ventures with firms in other countries. He recently teamed up with the Alexander Beard Group in London. Zachystal acts as Beard's client representative for British clients residing in the U.S., while Beard is a resource for him and his U.S. clients living in the U.K. "There is pretty good synergy there," he says. Potential cost savings, too; joint ventures offer an alternative to seeking securities licensing in other jurisdictions.

Also critical to cross-border planners is a reliable network of tax accountants, lawyers and other professionals that operate in the countries where their clients reside or own assets. For example, Scott-Velie has a client in Denmark who wants to buy property. "I can't advise her," Scott-Velie admits. "I don't know anyone on the ground in Denmark that I can feel 100% comfortable will (a) subscribe to the same philosophy that we have with regard to my clients; and (b) keep me in the loop as to what my client is doing."

Scott-Velie spent the first two years of the business building demand for her service and a support staff of self-starters who can keep the office running smoothly while she's on the road.

She has 80 full-service, ongoing clients, many of whom live overseas in Europe, the U.S. and South America. With her client base now demanding it, she expects to spend the next 12 to 18 months developing an international network of like-minded professionals that she can draw on to support clients' interests around the globe.

Luckily, there is a growing body of resources available. The CFP designation now exists in 19 non-U.S. countries; roughly 52,000 practitioners carried it as of 2006, up from only 1,652 a decade ago, according to the Financial Planning Standards Board. And the FPA now has more than 20 sister organizations in other countries from Argentina, Brazil and Canada, to as far as China and South Africa. FPA spokesperson Brook says cross-border education aimed at raising awareness among all planners is a top priority this year.

WE ARE THE WORLD

Scott-Velie also hopes to draw on the experience of the few seasoned cross-border pros who already have large networks in place. Jennifer Patterson, through her firm Patterson Partners in Bermuda, has been working for 15 years with multinational families also living in the British protectorate; Keats, Connelly & Associates in Phoenix has been the acknowledged leader

in U.S./Canadian issues for nearly 10 years; and Rodriguez-Walters, has been advising Americans living in San Miguel and other Mexican expatriate centers for roughly 10 years.

These three laid the groundwork for the cross-border planning niche and are largely responsible for its approach, which is to look at financial issues in the context of the whole life process.

Patterson, Keats, Rodriguez-Walters and Devang Shah, the first CFP in India, are also charter members of the Cross Border Financial Planning Alliance. Patterson's brainchild, the organization's goal is to help expand the marketplace by creating a global network of dedicated cross-border practitioners who can refer clients and lean on one another to answer questions. "We want people committed to the comprehensive planning process," she says. "They also have to meet my other vision, which is that they truly care."

Rodriguez-Walters is taking his own steps to expand the marketplace. This year he reorganized his firm to provide comprehensive financial planning and Mexican legal advice to U.S. financial planners and law firms with clients who have Mexican interests. Likewise, Shah, whose Mumbai-based firm, Right Returns, does comprehensive planning for domestic clients, is focusing his cross-border aspirations on consulting with U.S. advisors who have Indian clients.

Both say this is a response to growing inquiries from frustrated professionals trying to navigate national bureaucracies. "There aren't many people out there who have the expertise, or they don't have the language skills or the business skills to help them out. We do," Rodriguez-Walters says.

Most of these planners doubt that cross-border planning will evolve from its niche status soon. The work is so customized it doesn't lend itself to boilerplate solutions. But the trend is gaining momentum. As the world's population goes global, there should be a growing need for cross-border planners within reach of prospects around the world.

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