



BUILDING THE BRIDGE OF TRUST

Richard and Kitty

CAPITAL ASSET MANAGEMENT



Richard and Kitty are successful entrepreneurs and co-founders of a highly profitable tech business. After 12 years of running a flourishing business, they have finally made the difficult decision to sell their business at a very attractive price and with having agreed on excellent terms.

During their short careers, they carefully formulated an extensive investment portfolio which was highly diversified in nature.

Once free of their business demands, however, Richard and Kitty were faced with the realisation that they had made no plans for their finances and their investments. Two such pivotal parts of their future. What were they going to do with the cash, and would caretake these various investments that they had so prudently nurtured?

Being control freaks, this was certainly not going to be an easy task to navigate. Their first port of call was their bank, who introduced them to several London-based wealth managers, in what they said could only be described as a 'beauty parade'. At the end of a few weeks, however, Kitty remarked that it was more about the 'ugly' than any beauty, nonetheless. Clearly, the big booted firms from the city were not a good fit for them.



Their friend Abby pointed them to Capital. Richard made a call and the first question he asked was “How much are you going to charge us because we’re not paying these crazy City fees?” After some calm and reasonable words from Don, one of the directors, Kitty and Richard soon felt at home and comfortably reassured.

The Capital Way

On discussing their future and their personal finances with City wealth managers, it transpired that they aspired to keep control of all the couple’s assets and wealth; their properties, shares, holiday homes, cash, and their trust fund. When everything they owned was laid out in detail, it was a chessboard of interesting and unusual assets.

The Capital solution was to meet Richard and Kitty where they were. This was all new to them and handing over control would inevitably be difficult straight away.





Building the bridges of trust

Don had years of experience which told him that entrepreneurs need time and space before entrusting their entire wealth to a stranger. Having been acclimatised to being in complete control of every tiny detail in their own business and micro-managing every inch of their business lives, relinquishing this to another, an outsider was going to be novel and a challenge.

Don proposed three alternative courses for Richard and Kitty using the metaphor of being on opposite banks of a fast-flowing river; with clients on one side and Capital on the other side.

Option 1

Leave things as they are. Essentially, a huge sum of money, on deposit, with a major high street bank. This left them with inflation risk. It also involved security risk if the bank failed. Furthermore, it was also inefficient for tax purposes, meaning they would have to live off capital because interest rates were extremely low. If they didn't trust anyone, it was best to hunker down and stay on their side of the river until they were ready.

Option 2

Kitty and Richard were to take a long run and leap to the other side of the river to meet Capital. Whilst the outcome could be bounteous and advantageous, it did undeniably involve risk. What if the leap was unsuccessful; would they get washed away? Capital would have full control of their family wealth for an all-inclusive fee so that Richard and Kitty would be free to continue with their life adventures and fulfilling their dreams. The fee was significantly below what they had previously been quoted by the city fund managers.

Option 3

Don's notion of a bridge. You do not need to take a running leap, but instead, you can simply build planks of trust toward the other riverbank. Small steps at their own pace. Get to know and trust each other first and then see how it works. This would enable them to experience the value of true financial planning. Don compartmentalised their wealth into asset categories and then rather than taking full control, the preferred option was to consider investing only the cash and see what results.



Kitty and Richard loved the third option. There were no complicated contracts or small print. They could get out with only one month's notice and would not risk having to pay an exit fee. They simply had nothing to lose.

A flat fee was therefore agreed upon, and this would be reviewed again in twelve months. If Kitty and Richard were pleased with the relationship, they could choose to add more assets, and then the fee would simply reflect the extra complexity and additional work involved.

Before meeting Capital, Richard and Kitty had no idea that services like this existed but were extremely relieved. Shortly after agreeing on terms, they took the opportunity to take Abby and her partner out for a celebratory thank you dinner for introducing them to Capital.

If you would like help exiting your business and planning your post-sale future, please contact us today to speak to one of our Chartered Financial Planners on 020 7398 6600 or email hello@capital.co.uk.





CAPITAL ASSET MANAGEMENT

One College Hill, London, EC4R 2RA

020 7398 6600

www.capital.co.uk