

Financial Planning

When it's time to turn to a third-party consultant

By Bruce W. Fraser | June 23 2016, 2:53pm EDT

Know when to hold them. Know when to fold them. Know when to hire a third-party expert.

That mantra is being echoed by more advisers, registered investment advisers and wealth managers, who are enlisting outside third-party consultants to supply the financial help and knowhow to allow clients to create better portfolios.

Some serve as investment committees or extensions of the firms themselves. Other advisers are using third-party consultants for duties beyond merely managing money, for example, to produce webinars, newsletters and other content for clients.

"We conduct the objective-setting and risk-profiling for the client," says Charlie Harriman, an adviser at Cloud Financial in Huntsville, Ala.

Its third-party investment group, Redwood Investment Management in Los Angeles "constructs clients' portfolios based on those parameters," he says.

In addition, the firm produces a monthly newsletter for clients, holds annual market update meetings and conducts webinars with clients.

Harriman distinguishes between hiring money managers to manage clients' money and hiring a third-party investment management firm.

"You hand-select money managers, but there's no cohesive aspect to it," he says. "The client will have multiple money managers in their portfolio, and it could result in a lot of overlap."

By contrast, Cloud Investments' outside firm by virtue of its many duties, "in effect is an extension of our firm," Harriman says.

Wealth manager Pete Lang, founder and president of Lang Investments, based in

Charlotte and Hilton Head, S.C., also relies heavily on third-party consultants.

Although various investment committees over the past few years have provided the financial wherewithal to help clients build portfolios, Lang recently retained Capital Market Consultants, of Milwaukee.

Capital Market Consultants “empowers advisers who can use their services as either a third-party investment committee or, alternatively, as chief investment officer on an outsourced basis,” says Barry Mendelson, the firm’s chief executive and senior investment analyst.

Says Lang: “We gain access not just for us but for our clients to a Ph.D., economists and CFAs who supply expert perspective on market conditions as they relate to my clients’ portfolios.”

Lang Capital pays the firm a monthly retainer with no charge back to clients.

“We eliminate conflicts of interest with that type of compensation,” Lang says. Both Harriman and Lang have some advice for advisers who are thinking of hiring third-party consultants to help clients build portfolios.

“Look for a potential partnership arrangement, not just somebody who will give you their investment strategies to use,” Harriman says.

“Seek out someone who will produce content for clients and also attend client events and produce yearly updates,” he says.

Lang suggests that advisers “look for somebody who will help you give clients the confidence to achieve their objectives.”

In summary, advisers should know where their expertise lies, where their time is best spent and identify those areas they need to supplement with other experts. This is part of a 30-30 series on ways to build a better portfolio.