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When Brokers Double as Therapists

By JULIE STEINBERG

It's turning out to be a banner year for financial therapists, thanks to the prospect of looming tax changes that could significantly alter estate- and gift-planning strategies.

Working with a financial adviser used to be about the numbers: You'd discuss how much to allocate to different investments, which charities to donate to and when to take capital gains.

But as the complexities of wealth have grown, psychologists, social workers and marriage and family therapists—sometimes called "consultants"—expert in the dynamics of family wealth increasingly sit alongside advisers to offer counsel.

Ryan Snook

The trend began in the 1990s, and the financial crisis has helped spur its growth, says Joseph Goetz, incoming president of the Financial Therapy Association, which was started in 2009, and a fee-only financial planner in Athens, Ga.

Abbot Downing, Wells Fargo's ultra-high-net-worth unit; Bank of Montreal's wealth-management unit Harris myCFO; and BNY Mellon Wealth Management all have family consultants on staff or bring in external therapists to meet with clients. Usage at BNY Mellon, whose clients have $5 million or more in investible assets, has more than doubled in the past year. Both Abbot Downing and Harris myCFO report increases in client interest.

This year, intrafamily transfers of wealth have been the No. 1 issue for clients, says Jim Grubman, a family wealth psychologist who works with the advisers at Ballentine Partners, a firm in Waltham, Mass., with $4.2 billion in assets under management.

That's because of the fiscal cliff. Individuals are allowed to pass on up to $5.12 million without paying gift taxes, while married couples can give away twice that. But unless lawmakers act, those exemptions will fall to $1 million per individual and $2 million per couple on Jan. 1, and the top tax rate on gifts will rise to 55%, up from the current 35%.

Families have been scrambling to take advantage of the exemptions while they can, prompting anxiety about the possible consequences of making large gifts.

Many families are concerned about the potential risk of placing a lot of money in the hands of children or grandchildren who might not be prepared to handle it, says Mr. Grubman.

He says some of his clients also are afraid of the disclosures they'll be forced to make about their wealth, even to their own family members, and that a few are thinking of moving their trusts to states that don't have accounting-disclosure rules.

Others fret they're being forced to make decisions about their estate before they're ready, says Arne Boudewyn, a managing director of family dynamics and education at Abbot Downing in San Francisco, whose clients typically have at least $50 million in investible assets or a net worth of at least $100 million.

Mr. Boudewyn says he has counseled families that feel they might "lose some control after they sign the dotted line." Some of his clients have even opted out of taking advantage of the exemption.

Another issue: selling off a family business before capital-gains taxes rise next year. The top tax rate on long-term gains, currently 15%, is scheduled to increase to 20% unless Congress acts—and because of the new 3.8% tax on net investment income for high earners, the total capital-gains-tax hit could rise to 23.8%.

"The problem is, you may have children working in the business who were expecting to run it," says Joan Crain, a Fort Lauderdale, Fla., wealth strategist at BNY Mellon Wealth Management who has used financial therapists with clients.

One couple Ms. Crain advised was planning on selling the business before year end but hadn't yet told their children, and their oldest daughter had assumed she would inherit it.

Ms. Crain convinced the parents to listen to the therapist's advice to have an open discussion with their children about it. While the parents were intent on selling the business, the conversation enabled more time to plan for the family's future.

The holidays and the end of the year can heighten tensions among families, says Claudia Sangster, a director of philanthropy services at Harris myCFO, which caters to families with between $25 million and $30 million in investible assets, or at least $100 million in net worth.

"It's an emotional time," says Steve Zimmerman, a fee-only certified financial planner in Apple Valley, Minn., whose wife Susan, a licensed marriage and family therapist, helps coach clients. "When investors get toward the end of the year, they do a mental accounting" of the year behind them and the year ahead, he says.

Year-end is also a time when companies issue new compensation structures or benefits packages that could affect when a client decides to retire, says Mr. Zimmerman. Often, one spouse will be ready to retire and the other will be worried about whether the couple can afford to, he says.

The only way families will be able to deal with these issues is if they confront them openly with other family members, therapists say. Amy Zehnder, a senior wealth dynamics coach at Ascent Private Capital Management, a division of U.S. Bancorp catering to those with $50 million or more in net worth, aims for "consensus decision-making, not 100% agreement."

She recently gathered a family together that was squabbling over whether to allocate a certain investment. Each family member entered his concerns and preferences into a matrix, which was then used to explore possible outcomes. In the end, the family decided to go ahead with the investment, but reached a compromise over its size.

"People just need to feel heard," said Ms. Zehnder. "That's the key to all of this."

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