

Picking top dogs

By Francis Claessens

Banking is about money. Private bankers will be quick to argue that relationships, trust and service matter as much as fees, but low costs and good rates are what really count.

This may seem obvious, but many individuals receiving a decent size liquidity event end up paying over the odds for banking services. Often they will simply continue with their old banker or pick the first credible bank to present itself. Some are proud to bank alongside royalty or like to be received in palatial surroundings in the most expensive areas of London, Paris or Geneva. The reception may be enjoyable and the décor expensive but the client pays for it dearly.

It is worthwhile applying two skills most entrepreneurs have learnt: to source the right ingredients from all the available suppliers and to negotiate prices of the supplied ingredients down to the bone.

Shopping for price quotes makes sense as members of Peers, a networking group for wealthy individuals, have proved. Recently, one was looking for a manager for a \$50m (€32m) hedge fund portfolio. An established bank, with a palatial foyer, wanted to charge £390,000 (€491,000) a year while another quoted £360,000. A specialist hedge fund research firm, which many banks use as their source of information on the market, offered to do it for £120,000 for unlimited funds. Finally, a bank new to the market and eager for business offered a flat fee of £70,000.

The question, of course, is whether lower fees mean poorer



quality. A Peers member tracked the performance of two of the providers above over two years and found that the one charging £360,000 delivered returns 0.04% higher than the one charging £120,000. To justify the fee difference it would have needed to outperform by 0.5% on a \$50m portfolio, and probably much more on lesser amounts.

Another member recently compared the banking rates in Switzerland to those she was paying in London and found the Swiss costs much lower. When she confronted her bankers in the UK they simply offered to cut their fees in half. She said she didn't know whether to laugh or cry: laugh because she was now paying 50% less, or cry because of all the years she had paid 50% too much.

"THE RECEPTION MAY BE ENJOYABLE AND THE DECOR EXPENSIVE BUT THE CLIENT PAYS FOR IT DEARLY"

I have yet to find a decent service that helps you find the right private bank at the right price. Failing the emergence of such a service provider, you will have to manage the selection yourself. The basics of arranging a private banking beauty contest are straightforward.

Line up a good variety of banks to review, including different sizes and types of institution. Sometimes you can get a better service and price by being a big fish in a small pond. And

don't be limited by geography – with modern communications your bank could be based anywhere.

Distinguish between regular banking and investment services. The bank that gives you the best banking rates may not be the provider of the best asset management service. Not all banks, for instance, have left behind them the flawed policy of trying to sell mainly their own products.

Define your needs clearly, send your target banks an outline and request quotes. Then select the most promising responses and start some good old-fashioned haggling. The winner of this kind of beauty contest is always you.

Francis Claessens, founder of Peers, www.wealthpeergroup.com

PHILANTHROPY

Taming the dragon

By James Rutter

Duncan Bannatyne, a 59-year-old Scottish entrepreneur with a £310m (€390m) fortune, is no stranger to the media spotlight but he confesses to feeling rather awkward about his latest incarnation as the poster boy for wealthy British philanthropists. "To be honest, I feel a bit of a fake," he said.

Bannatyne has cultivated a sideline as a television personality on the back of the success of *Dragons' Den*, a



BBC business pitch show. He filmed a recent documentary on how Britain's wealthiest citizens are increasingly pursuing charitable endeavours and last month addressed a meeting at the

House of Commons on tax-effective giving. But he claims the idea he is a figurehead for new philanthropists is misleading: "If I was a proper philanthropist I would be giving away all my money."

Bannatyne has put £1m into a tax-efficient charitable trust as an attempt to bring more structure to his giving. "I realised this year that I was taking a very disjointed approach," he said. He has been seeking informal advice from Mark Evans, a philanthropy specialist at private bank Coutts. Bannatyne is not a client of the bank but said he is likely to open an account.

He believes it is natural for rich people in middle age to take more interest in philanthropy. "I have the quandary that I don't necessarily

think the best thing to do is to leave all my money to my kids," he said. He has taken two of his children to visit a Romanian orphanage he funds for children with HIV and Aids. "I would love it if the kids wanted to be involved, but the initiative has to come from them," he said.

And while he may be a reluctant figurehead he acknowledges the need for more publicity about philanthropy. "If we can get more people bragging about their giving, it will encourage others to do more." To illustrate the point, he said one of the millionaires he interviewed for his TV documentary, who disparaged the idea of giving away his hard-earned fortune, subsequently sent a big cheque to a charity Bannatyne supports.