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COUNSELING CLIENTS THROUGH MENTAL ILLNESS

Michael Scott of Waymark provides wealth planning for families caring for relatives with special needs

From left: Brendan Sheehan, Michael Scott (seated)and Sean Fair of Waymark Wealth Management.

Counseling Clients *Through* Mental Illness

Personal experience has prompted one Waymark Wealth advisor and his team to build an unexpected niche

BY LORIE KONISH | PHOTOGRAPHY BY JASON GROW

When Linda Smith* complained about the cost of her son's private boarding school during a meeting at the family psychiatrist's office, she was presented with an unexpected referral.

The psychiatrist promptly pulled a flyer out of his desk for a seminar at a local Massachusetts hotel on wealth management for families coping with mental illness. The host of the event was Waymark Wealth Management based in Westborough, MA. that set out to help families like the Smiths four years ago.

Smith's two sons, ages 13 and 14, each suffer from their own particular combinations of psychological conditions such as attention deficit hyperactivity disorder, or ADHD, bipolar disorder, anxiety and depression.

"Neither one is capable of managing money, and we don't expect that will change," Smith says. "We certainly want them to be gainfully employed, if that's possible, but [want to] at least give them a cushion."

Smith and her husband Alex* attended the seminar. When it was over, she did something she says she almost never does: check a box on a feedback form permitting the team to contact her. Now one year later, Smith says that working with Scott's advisory team has transformed her family's wealth management plan. Becoming clients of Scott's team required the Smiths to temporarily put off the update to their estate plan they were already working on with an attorney. The family also had previously established a will and health care proxy. However, those existing plans were not coordinated.

Scott's wealth advisory team worked with the Smiths to create a new master plan starting from the very basics—identifying the core values that were most important to them. From there, the team worked to pull the other aspects of the wealth plan together, which included several meetings with the family psychiatrist, financial planners and estate attorney.

"These families want to know how financial independence looks and feels while protecting their loved one," says Waymark's Michael Scott, a private wealth advisor and managing director of his eponymous firm. "They might have a picture of that in their mind, but [have] not necessarily had their wealth and their estate planning designed to support that," he says. "So with what we're doing, a lot of time is spent developing that blueprint."

The process between Scott and the Smiths also brought out new investment options that the family did not previously know existed, including different kinds of special needs trusts, insurance policies and tax-saving opportunities. It also meant balancing their heavy load of high-risk stock investments with other opportunities like managed stock funds, real estate investment trusts and more boutique investments.

"We have all these safeguards in place to help cushion economic downturns, and so we've become more focused on wealth management as opposed to [emphasizing] growth," Smith, the client, recalls. "Our priorities have shifted, and we had to come to that. That was a real sea change for us."

Scott's Waymark practice sees a lot of high-net worth families coping with mental illness who have risky portfolios and sustained significant losses around 2008, according to team member and financial advisor Brendan Sheehan. That typically prompts the team to ask those clients: If you had died in 2008, how well would your wealth plan have protected your loved ones with special needs?

A Family Affair

Roughly 57.7 million—or one in four—Americans face a mental health disorder every year, according to 2009 statistics from the National Alliance on Mental Illness, or NAMI. Serious mental illnesses including bipolar disorder and schizophrenia affect one in 17 adult Americans, while one in 10 children have a serious mental or emotional disorder.

And suffering from mental illnesses adds up. The indirect costs associated with mental illness in the United States is approximately $79 billion every year, according to NAMI. Nearly $63 billion of those costs come from loss of productivity.

"Mental illness doesn't strike individuals; it strikes families," says Larry DeAngelo, president of the NAMI Metrowest affiliate in Framingham, Mass., which works with Scott and his team. "Individuals may have a diagnosis, but everyone in a family is affected, whether it's a partner, husband, wife, [or] sibling."

Scott's team has seen its business soar from families coping with mental illness. They currently account for more than one-third of his new clients and often come through word-of-mouth. The team is working with about 30 families with special needs in total, ranging from high-networth to what Scott calls "needs-based," or those with more limited resources who just need guidance. Separately, the team also targets another niche that Scott calls "doers," or families that have had a burst of success seen by someone such as a senior level executive.

However, the growth in this particular special needs niche comes as Scott and his team have worked to reduce the total number of clients they are working with—whittling that figure down to less than 150 clients from more than 400 over the course of more than a year. Currently, they have about $130 million in client assets under management. Much of the decision to scale back was based on the team's style of practice, Scott says, which emphasizes behavioral finance.

In fact, approximately six years ago behavioral finance planning became a bigger part of the practice, Scott says. His team works with clients first to identify their basic values, look at the decisions they are making, evaluate whether those decisions match their values and then ultimately decide on investment products that reflect their goals.

"We just felt we needed to increase our time spent per client," Scott says. "In some cases, there could be a whole meeting or multiple meetings spent on what type of decision to make, let alone having conversations about product."

> "Mental illness doesn't strike individuals; it strikes families."
> - Larry DeAngelo, president of the NAMI Metrowest affiliate.

Yet, it was Scott's personal experience that also drove the team's special needs emphasis. At about the same time, Scott's mother, who is now 63-years-old, was diagnosed with a combination of borderline personality disorder, severe depression, post-traumatic stress disorder and also possibly schizoaffective disorder. Her condition includes persistent paranoia that has gotten in the way of a full diagnosis of her condition. That paranoia has also affected how well Scott, his father and two brothers are able to handle the family's wealth. Scott's mother has a tendency to hoard cash and hide it in clothes or various locations around the house.

> **57.7 MILLION**
> Number of Americans who face a mental health disorder every year
> - National Alliance on Mental illness, 2009

Scott credits much of the progress his family had made in accepting his mother's illness to NAMI's Family-to-Family Education Program, in which both he and his brother participated. Like many of the more than 350,000 people who have taken that class to date, Scott says he found the experience life changing.

The 12-week NAMI course covers all of the major mental illnesses and topics including the pros and cons of medication, how caregivers can also take care of themselves and communicating with someone who suffers from mental illness. In one of those classes, one student will try to follow instructions while five or six people are also talking about different things at the same time to simulate what a person with schizophrenia experiences.

"We didn't really come to terms with it until after we got the education," Scott says of his family. "Mental illness is just not like cancer or other illnesses, where you can get a crystal clear diagnosis, you can deal with it and press ahead and here's the outcome."

Even as Scott's family began to address his mother's condition, he immediately leaned on his financial expertise. That included getting insurance together even as they just knew a diagnosis was coming. For long-term care, that meant taking on increased risk with an unlimited lifetime benefit that was more expensive than the traditional four to five-year benefit period.

Years later, there are still some parts of the family's wealth plan that Scott says he would like to get more in place, particularly with estate planning. But his mother's condition can sometimes prevent productive discussions. And having meaningful conversations often requires getting more than one family member involved. When family dynamics get in the way, Scott will pull in his financial advisor team members who also work with special needs clients to handle the conversation.

Scott says that having that first-hand experience enabled him to have a deeper connection starting from his first few clients dealing with special needs. "It was like all of a sudden talking to somebody and we speak the same language," Scott says. "We had the same types of challenges. We had the same level of understanding. There was an immediate connection, an immediate bond, an immediate level of trust, because we're coming from the same place."

More Problems Calls For More Options

But introducing Scott's team to the new strategy to target families facing mental illness was very different, Scott recalls. That included concerns about whether that strategy would be successful.

"I actually was initially faced with quite a bit of resistance, not because they didn't support my passion, but because they thought, 'Is there really a market for this? Are we going to spend a lot of time and not get a return on investment?'" Scott says. "Luckily, my team is very loyal, and they saw my vision and they pressed ahead with it."

Today, Scott's six-member team has wholeheartedly embraced that new side of the business, he says. Three of Scott's team members are on the board of NAMI's Metrowest affiliate. Last year, the team recruited about 15 financial advisors to do the NAMI Massachusetts Walk.

Scott's colleague, Sheehan, remembers how he had doubts at the outset. "I tried to keep an open mind," he says. "The question at hand was, 'Is this going to be something we devote a lot of resources to, or just a small niche of the practice?'"

The new special-needs focus actually turned out to be serendipitous with the behavioral finance approach the team was already practicing, Sheehan says.

Like many families, clients with special-needs issues are working to find balance with a finite amount of resources, Sheehan says. And many of those families Scott's team sees suffer from a shared dilemma—that spending money on themselves would take away from resources they can devote to their family member with special needs.

Scott's team usually reminds those clients that they need to use the airplane safety rule: ensure your safety by putting on your mask first; then secure a different mask on your child.

"That concept also exists in finances," Scott says. "If parents shell out all of their money for all of these things and all of a sudden become financially impoverished themselves, what's their ability now to take care of their loved one? They will never be able to take care of themselves financially."

Addressing behavioral finance attributes starts from the very first meeting with clients, with the team asking each individual to take a Kolbe Assessments test and identify their top five values. From there, the team helps the clients come up with their top goals and what it will take to achieve them. For a family with special needs, for example, Sheehan says, that could mean asking them if they are willing to devote 20% less to their special-needs family member in order to have a successful retirement.

$79 BILLION

Annual indirect costs associated with mental illness in the United States

- national Alliance on mental illness, 2009

From there, wealth planning for families coping with mental illnesses requires a lot of attention around estate plans and supplemental and special needs trusts to ensure affected family members are cared for. That includes careful consideration of whether or not their loved one will be able to achieve financial independence in the future.

Designing a trust requires striking a careful balance, Sheehan says. If the trust does not provide enough financial assistance, a family member might not be able to function on his or her own. Providing too much financial assistance could lead to a lack of motivation to strive to do better, Sheehan says.

To help resolve that issue, a partnership can be formed between an estate planning attorney, financial advisor and someone to oversee the individual, Sheehan says. An aunt, uncle, cousin or other family member who knows the individual well can gauge their financial needs at different stages.

Creating an investment strategy for these families also requires planning for the unexpected emergencies that can quickly add up.

"It is very common for our families that we work with to come to us and say: 'Jeez, last year we spent $30,000 completely unexpectedly because Johnny went through X, Y and Z,'" Scott says. "'He had a manic episode, he lost his job, he was homeless for a week, and this was the money that we shelled out.'"

For some families, that means setting aside funds for those emergencies. For others, it means coming to terms with not being able to help in all of those situations. Families also need to understand what government benefits might be available to them.

As clients weigh their options, Scott's team also regularly bounces their ideas for clients' wealth plans off of each other in Friday meetings. One of those discussions in a recent meeting prompted the team to change their approach with one family client. Scott talked about his upcoming work with that family in the meeting, and explained that he planned to have them buy a certain level of insurance coverage. But other members of his team, who knew the family's situation and the values they had identified when they first took them on as clients, argued that that might not be adequate for them.

When Scott went back to the family, he presented them with two options: one for the lower level of insurance he had originally intended they sign on for, and another higher level of coverage that his teammates felt might suit them better. The client opted for the higher coverage option, because it provided them with more assurance that their $2.7 million in assets would protect their children when they died. Scott says he might not have presented the family with that choice if that team discussion had not happened.

"I call it creative destruction," Scott says of the team discussions. The different points of views can create a better advice model, he says.

Coming up with more options for families coping with mental illness often also means addressing their fear of uncertainty. Sheehan remembers one client who was holding onto more than $100,000 in cash, earning just .5% in a savings account as the family waited to find out if they would need to pay for their young children to attend a private school for special needs or a public school with additional tutoring.

"To achieve the things that were of top importance to them, they just couldn't do that," Sheehan says of the family keeping their cash in that savings account. "The amount of return on investment that they would get on that cash moving forward was not enough." The team wound up resolving that issue by taking what Sheehan calls a hybrid approach. The money was put into a portfolio of mutual funds that were very conservative, mainly in fixed income and some equities.

Working with Scott's team through this process has been eye opening for Sean Fair, a financial advisor who relocated from Austin, Texas, to join Scott's practice in January. Fair, who focuses on small business owners and other entrepreneurs, says he had only limited work with special needs clients prior to joining the team.

"No one works in a silo," Fair says of the team. "Not only does it benefit the client, because a lot of us bring different viewpoints in, but it benefits the advisor and our growth."

The 13th Session

Focusing on that growth is exactly what is next for Scott's team. Last year, Scott taught his first Family-to-Family class, which he hosted from his office for around 20 participants. Scott also created a new thirteenth session for the class on financial planning and wealth management.

The additional session fills a hole by providing financial information that was not previously available, says DeAngelo, president of the NAMI Metrowest affiliate. The session goes over the unique financial needs the families face, such as the need for increased cash reserves 12 months or more to cover costs for counseling, medical care, legal fees and living expenses for their loved one.

In addition, the session delves into the unique financial structures that can be arranged for families coping with mental illness, including a conservatorship, durable power of attorney, joint account, repayee or trust. It also addresses how the families' spending habits may interfere with their financial goals.

But what Scott's team offers beyond that education is the understanding of the behavioral nuances associated with each mental illness condition, which in part comes from personal experience, DeAngelo says.

DeAngelo, whose own 36-year-old daughter has had ups and downs with bipolar disorder, has seen the financial impact that illness can have firsthand. While his daughter is doing very well now, he still remembers the $38,000 she charged on her credit card over just several weeks on a European vacation.

"There's one component of this illness that destroys people financially," DeAngelo says. "People [with mental illness] create businesses they have no right to be in. People buy houses they shouldn't buy. People buy sports cars they shouldn't buy."

For many families, the NAMI Family-to-Family class frees them from the stigma they feel, DeAngelo says after having taught ten classes with his wife. They first took the class together 11 years ago. Those revelations were evident in some of the feedback Scott received in written evaluations from the class he taught.

"People with mental health issues are pushed aside, ignored, shuffled from place to place and often are no better off in the end," one class member wrote.

The class has also boosted Scott's team's profile in the community, even though it does not always immediately translate into new clients. The families that Scott meets run the gamut from those who are still consumed with crises and are not ready to address their financial situation to those who want to get started right away.

Holding the Family-to-Family class helped Scott's team reach maximum capacity on one kind of client: families without a lot of financial resources that Scott's team will work with pro bono. Scott's practice can take on about ten of those families a year.

Some of those special-needs families will require multiple meetings, Scott says, similar to the process the team goes through with its regular roster of clients.

Other families just need guidance, such as a referral to a credit score service after their loved one's actions have caused the family's credit to plummet. In the future, Scott says he hopes to develop a phone support line together with NAMI and the state of Massachusetts.

"What makes me so enthusiastic is I think we've started on a path that hasn't been so frequently explored," Scott says. "There's a real need here. We're just getting started, and it's great to know that in a small way we're helping a lot of families."

For financial advisors looking to work with families facing mental health issues, Scott recommends starting out exactly how his team did: interviewing families and finding out their pain points when it comes to their lives and finances. Do not solicit them, Scott says, and instead let that information help guide the creation of a customized advice plan for working with families coping with special needs. Scott also advises getting involved with the community.

"My hope is that some advisors will actually start to really get engaged in this work and start to help communities or start to help people that are very connected to something that they're probably already passionate about," Scott says. "A high percentage of financial advisors also [likely] have loved ones with the same set of issues and circumstances." **OWS**

**Names have been changed for privacy.*

Statistically one in four families has a loved one with mental illness. If you or someone you care about would like more information on Special Needs Planning please contact us for a complimentary phone, WebEx Video conference or a face to face consultation.

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