

Private Wealth Management Industry in BARBADOS

By

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Not so long ago, the CEO of a leading Canadian financial institution was musing about the nature of his competition. His real competitor, he said, wasn't in Toronto, New York nor London. It was in Redmond, Washington. And needless to say, it wasn't a financial services company.

There is no doubt that technology has had an enormous impact on the financial world. Through our technologically wired world, global investors can now access many world class investment products, research and investment managers anytime and from anywhere. This means that world class investment services have the freedom to move to a jurisdiction with the sophisticated infrastructure and regulatory benefits that can truly round out one's total financial plan. That is where the estate planning, business and tax benefits that Barbados offers come into the picture.

The technological advancement that was originally viewed by some as a threat to the wealth management industry has in fact enhanced our ability to "add value" to the customer. Nowhere has this transformation been more apparent than in Barbados. Technology has facilitated the evolution of the wealth management scene in Barbados into a community that boasts products, services and trained professionals that are the equal of financial centers anywhere. Indeed, the wealth management community in Barbados is comprised of individuals from around the globe as we have taken the "best" that the world has to offer and in doing so we have been able to stay on the cutting edge of industry trends. Add to that the fact that Barbados exercises close regulatory control over financial institutions, it has an extensive network of bilateral tax treaties and offers substantial tax benefits, and it becomes very clear why Barbados is such an important international financial centre.

Technological change has educated and empowered today's investor as never before. Indeed today's average investor has better access to information and more access to product and services than did the "professional" of a decade ago. Ideally you would think that this would allow investors to:

- Choose investment managers whose styles are most compatible with their personal investment philosophy.
- Periodically evaluate the investment managers' performance and adherence to the styles for which they were selected.
- Keep abreast of any fundamental qualitative shifts in the investment management firm (i.e. changes in personnel or other key resources) and understand the potential impact on their portfolios.

These may seem to be relatively simple requirements, but to achieve them investors must surmount two challenges: the challenge of scale and the challenge of complexity.

The root of the scale problem lies in the fact that there are more than 22,000 registered investment advisors world-wide, a four-fold increase over the past ten years. As an investor you will find that the research required to identify the investment manager who best meets your compatibility test is so extensive that it is usually beyond the capacity of individuals, or even committees, who are not investment professionals.

The complexity issue can only be overcome by knowledge. A productive evaluation of the universe of available managers – their capabilities, strengths and weaknesses – calls for a lot of background in the field. Effective evaluation of investment managers requires a combination of financial expertise, database technology, extensive field-work and a well defined rating system. Even if you had the time to study all the available candidates to manage your money, would you know what to look for?

The “art” of wealth management involves being able to help the client delineate what their objectives are. While simple on the face of it, in reality the process can be quite extensive as each facet of a plan can bring new, unforeseen issues to the surface that need to be evaluated and resolved. What return on my assets do I require? How much risk am I really comfortable with? Will my structure adequately protect my heirs and fulfill my objectives? How flexible is my program in case I need to change course? What is the optimum asset allocation that will achieve my objectives with the least amount of risk? These are but a few of the issues that need to be examined in detail by both the individual and wealth manager. This process should be an educational one for the client as it is imperative that the client understands not only “what” is being done but “why” it is being done.

Once the framework has been formulated, the wealth manager needs the capacity to effectively execute on that plan. To identify and evaluate potential investment managers for clients, a wealth manager will employ a multi-step screening process to narrow the large universe of available managers. Unbiased comparisons are made using multiple benchmarks to examine a manager's absolute performance, relative performance and risk-adjusted returns over rolling time periods. This quantitative data, in addition to other compliance and qualitative information, serves as a starting point in the assessment of a manager's overall quality. The evaluation process is structured to consider each advisor's history and potential and helps the wealth manager to select the advisor or advisors best suited to the client's profile.

Finally, with the financial game plan in place the wealth manager needs to monitor the program rigorously, proactively suggest adjustments when necessary and report to the client effectively. In today's world that means the client has the ability to access real-time information on their entire portfolio and complete history of transactions, 24 hours a day, 7 days a week. Systems must also be developed with up-to-date security systems and all personal client portfolio information must be protected by advanced encryption technology.

The wealth management community in Barbados offers all this and more. Cutting edge technology, on-line trading and reporting, global reach and perspective, internationally experienced professionals, sound regulatory practices, beneficial bilateral tax treaties with a growing number of major countries, tax benefits ...and let's not forget those beaches!

Yes, that CEO's competition isn't in Toronto, New York nor London. It's in Barbados!