

## MONEY TALKS

# Secrets of the high net worth

The rich didn't get that way by being careless. Here are some of their wealth-preservation tips.

By Sylvia Pennington

Clearing the mortgage, paying school fees and amassing enough super to retire are common aims for the average Aussie. Some plug away under their own steam, while others look to financial advisers to chart the course and provide occasional health checks.

But what of those at the top of the tree – self-made millionaires who have surpassed these goals many times over? How do they organise their money, and whose help do they enlist to ensure their stash works its hardest?

Michael Sherlock likes to keep things simple. The corporate consultant made his dough from Brumby's, the hot-bread chain he founded in 1975 and sold to Retail Food Group (RFG) for \$46 million in 2007.

These days he's kept busy managing eight residential properties and four Brumby's franchises. The rest of his



Spread of investments ... to Bob Waldie, asset protection is most important. Photo: Melissa Smith

wealth is invested via a self-managed super fund in Sentinel Property Group, an unlisted commercial property trust.

Established in 2009, Sentinel has 166 investors and owns 11 properties via syndicates. Investors kick in a minimum \$100,000 for a share in a site and receive rental returns of 11.5 per cent, paid monthly.

The vehicle provides higher returns, lower entry and exit fees, and less hassle than the residential market, Sherlock says. As a long-time commercial tenant it's a milieu in which he feels comfortable, unlike the sharemarket or the technology sector.

"Whatever you invest in, you need to understand ... I don't want to be subject to the unforeseen events that seem to be happening more frequently [in the sharemarket]," Sherlock says.

He has little time for financial "jockeys under management" – investment advisers and private bankers.

"They want to charge a big clip for making the decisions for you."

Sherlock describes himself as rich – but not rich enough to hand over his stash and hope it's husbanded wisely.

He does take advice from entrepreneurs he rubs shoulders with

socially, and his accountant. The accountant helps him deal with the complexities of self-managed super fund (SMSF) regulations, capital gains and the governance requirements of multiple investment structures.

Australian adults have a median wealth of about \$190,000, according to last year's Credit Suisse Global Wealth Report.

People with more than \$1 million in assets, in addition to their homes, are deemed high net worth, while those the next rung up – the ultra-high net worths – have \$20 million or more to play with.

The founder of asset manager Blue Sky, Mark Sowerby, says Sherlock's attitude is typical of this bracket.

"These people perceive they can do a better job of things themselves than handing the money over," Sowerby says.

"[They] make their own decisions about what to invest in, [and] then they get their accountant or financial planner to execute it."

The principal of Mercer financial advice, George Mileski, agrees. "They want a long-term partnership with someone with a good understanding of

their situation, who they can bounce ideas off, and who can give them relevant options to make their own decisions," he says.

"They're high net worth for a reason – typically they're driven, engaged with their finances, confident."

"Family offices" can provide a fee-for-service clearing house to wealthy individuals seeking to delegate some of the activities – investment advice,

**'[They] make their own decisions about what to invest in.'** Mark Sowerby, Blue Sky

governance, philanthropy and ensuring the racehorses are fed – associated with managing a fortune.

Once the remit of the uber-wealthy – those with \$300 million and up – the sector has expanded downwards, with the rise of multi-family offices servicing several clans, each with \$10 million or more.

Family office clients value independent advice, control and confidentiality, and have long-term relationships with professionals who

deliver this mix, says the founder and managing director of Entrepreneurial Wealth Management (now EWM Group), Brad Scott.

The chairman of Opengear and serial IT entrepreneur, Bob Waldie, has his own family office – his wife, Mary, who devotes a day a week to managing their affairs.

"I'm great at making money and love spending ... she's great at governance and does all the administration," Waldie says.

The Waldies spread their funds across property, the sharemarket, managed funds, and term deposits in Australia and the US.

They use advisers for a diminishing piece of the pie, Waldie says. He describes himself as a fat and happy investor; one who's less interested in big returns than asset protection, steady revenue streams and having fun.

The latter includes putting 15 per cent of his funds into technology firms and start-ups. These are investments of \$20,000 to \$50,000 at a time, via venture-capital funds, trusts with other investors and direct personal investment.

"It's a hobby, and also the high-risk part of the portfolio," Waldie says.