



Lincoln Private
Investment Office
London

How Our Business Model is Different

In October 2008, I was heading off to a wonderful honeymoon and the start of a new stage of life. Unfortunately, this turned out to be the month after Lehman went bust. I was extremely concerned that the company I worked for, which had a similar ownership structure and business model as Lehman, would follow suit while I was away. It was at this point that I began to think seriously about what exactly the right model was to look after private clients over the long term.

I was then lucky enough to be asked to build the UK business for a privately-owned European bank with hundreds of years of history; involvement from the family which bore its name, and partners with unlimited liability. This was a huge step forward in obtaining the right structure, and helped me to continue the thought process for what is the right framework in the modern world.

Private Banks are predominantly listed entities which are run, understandably, for the benefit of their shareholders, who are rarely clients of the business. Stockbrokers are predominantly backed by private equity firms which are focused on selling the business on within a relatively short time period (certainly compared to a normal client's time horizon). Family Offices are owned by a single family; this is fine when each office looks after one family alone, however, the costs involved have led to the proliferation of "multi" family offices. In these cases, all clients are then faced with the conflict of a single family being the major shareholder and the employees being very aware of who the most important client is.

Lincoln Private Investment Office only has clients and employees as shareholders in the business. We have been fortunate enough to have had offers of funding from successful finance professionals, competitor businesses, friends and supporters. However, unless an individual is prepared to commit to being a client with a significant proportion of their wealth, we are not going to accept their investment. All shareholders must care about service and performance with profit being the result of what we do, rather than the primary aim.

All of the senior employees are shareholders in the business giving them a sense of responsibility towards the company and a clear understanding that what is good for the client is good for the company and, ultimately, for them. As importantly, and almost unheard of in the world of private wealth management, all of the senior employees must have 100% of their own assets managed by LPIO. Time and again when I have asked clients for feedback on the industry they say how much they like their private banker, how good they are at responding to requests and how proactive they are at providing ideas, but how they don't believe they are concerned when they lose money. With our model, if our clients are losing money then so are we. And, for what it's worth, our fees are calculated using a tiered approach, so we are all charged more than any of our clients.

No client has to be a shareholder in the business, but if they would like to they can be. As shareholders they do not receive discounts, nor do they get better access to interesting opportunities than other clients. They can see what we, as a business, earn for our work. They can understand why we select various investments, see the network we use to arrive at our conclusions and get to grips with the due diligence process we follow.

We have built a model to be the least conflicted we can be and the most independent of external influences that are not in our clients' best interests. We are doing this at a time where everyone has run the other way, as fast as they can, to drive short term profits.

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