

Several Wirehouses Press Advisers to Talk Health Care with Clients

Smith Barney, Merrill Lynch and Wachovia are on board, but UBS is leery about the potential liability issues

By Lisa Shidler

Several wirehouse firms have begun pushing their financial advisers to talk to clients in more depth about health care issues in retirement, but at least one firm, UBS Financial Services Inc., is avoiding the topic because of liability concerns.

Smith Barney has embraced the concept most wholeheartedly, with Merrill Lynch & Co Inc. and Wachovia Securities LLC testing the waters.

New York-based Morgan Stanley didn't return phone calls seeking comment on whether its advisers are talking more to clients about health care in retirement.

The advisers who are discussing health care issues with their clients are focusing primarily on the cost of health insurance, and helping clients to decide between a health maintenance organization and a preferred-provider organization when choosing medical insurance. Some advisers are even going so far as discussing the cost of health procedures.



Fred Barstein:
Wirehouses have the resources to develop a holistic plan.

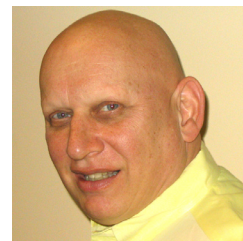
Of course, many wealth managers and independent advisers have already embraced the complex issue of offering health-care-related advice to their clients, and some question whether wirehouses will be able to offer the same type of enhanced advice successfully.

However, if brokerage firms ignore a client's health care issues, they will be missing out on fully serving that client, said Fred Barstein, chief executive of 401kExchange Inc. in Lake Worth, Fla., who works with advisers.

"Nothing can be done in isolation," he said. "If you don't include the health care issues, you're leaving out a big part."

While wirehouses have been reluctant to get involved in the issue of health care and its costs, and have lagged behind wealth managers in this area, wirehouses can handle this issue, Mr. Barstein said.

"The wirehouses are probably better equipped to do it, because they have the internal resources to plug all of the products together and put it in a holistic plan," he said.



Smith Barney, a unit of New York-based Citigroup Inc., launched a telephone health help line in November that is staffed by Health Advocate Inc., which uses nurses, doctors, health experts, and benefits and insurance professionals to answer questions from advisers. All of these experts steer clear of medical advice, including the nurses and doctors who typically stick to questions about cost and insurance. Smith Barney managed about \$1.5 trillion in assets as of Dec. 31.

Marty Rosen:
Health Advocate has begun partnering with financial services firms

Health Advocate of Plymouth Meeting, Pa., has begun partnering with other financial services firms, such as M Financial Group of Portland, Ore., to answer questions for advisers, said Marty Rosen, the firm's executive vice president and co-founder.

The company's experts provide advisers information on different types of insurance plans, including health savings accounts, answer questions about clinical drug trials and offer information about medical

procedures and medical conditions. “What you find is, health care is not traditionally something that our [financial advisers] talk about,” said Ellen Breslow, managing director of retirement resources group for Smith Barney. “A financial adviser isn’t likely to talk about something they’re not comfortable with.”



*Ellen Breslow:
Clients have asked
about Medicare
prescription plans.*

So far, advisers at Smith Barney have helped clients decide whether a high-deductible insurance plan makes sense compared with a more traditional health insurance plan, and answered questions about the differences in Medicare prescription plans, Ms. Breslow said.

The health care advice is available to advisers for all their clients free of charge, she said. However, Smith Barney has also partnered with Baltimore-based PinnacleCare International to provide the firm’s clients with concierge health care services. This is a separate cost of about \$7,000 annually for a healthy client.

Smith Barney’s advisers can mention the program with PinnacleCare to any client, though it is aimed primarily at those with a high net worth.

PROVIDING REMINDERS

PinnacleCare employs health care advocates to assist clients with diet and prescription reminders, and can accompany them to medical appointments.

At New York-based Merrill Lynch, the question of health care is one that the company is still sorting out, said Stephen Mitchell, the retirement group’s Pennington, N.J.-based director of investor education and planning. The group managed more than \$433 billion in assets as of Dec. 31 — about 25% of Merrill’s total assets of \$1.75 trillion.

“I don’t want to mislead you and say we’ve worked all of this out,” Mr. Mitchell said. “What we’ve done is raised the awareness among our FAs and virtually everyone as to how important an issue this is for all of our clients.”

What Merrill advisers should focus on, Mr. Mitchell said, is helping to ensure and calculate how much health insurance costs their clients and how that will change during retirement. Often, advisers will seek to ensure that clients are prepared to pay for out-of-pocket medical costs including co-payments and annual prescriptions.

Those conversations are still relatively new, Mr. Mitchell said.

But Merrill also thinks that advisers need to avoid discussing health information concerning, for instance, whether a client should get a second opinion or specific types of health care insurance, he said.

“I’m sure there’s this invisible but fairly well-determined line where financial advisers are talking about the financial decisions regarding health,” Mr. Mitchell said.

Merrill has considered partnering with a health care company but so far hasn’t done so, he said. “If we saw the right kind of partnership that we thought was really going to add value for our clients and would do it in a way that kept advisers focused on what they need to be focused on, we’d pursue it,” Mr. Mitchell said.

And Wachovia Securities of Richmond, Va., expanded the types of health advice it offers to its clients about 18 months ago. Advisers who work with the firm now offer more-specific information about health issues, said Janet Schaefer, manager of life event services.

The company has made available to advisers information about how certain medical conditions might affect a client’s financial plans, as well as facts about Medicare, Social Security and other issues.

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“We’re not here to make the FA an expert,” she said. “We’re here to give them more information.”

But even though UBS Financial Services of New York thinks that it is important that advisers address the health costs a client may face in retirement, discussing insurance plans and treatments with clients are no-nos.

Advisers at UBS are encouraged to talk about long-term-care insurance, but they shouldn’t discuss health insurance policies, said Michael Ban, head of insurance and annuities at the company.

“The health insurance is another issue. That’s something we have [avoided] and will continue to stay away from,” Mr. Ban said. “When you’re talking about health care, there’s a potential liability that goes along with it,” he said.

Nevertheless, wirehouses need to offer health care advice, said Louis S. Harvey, chief executive of Dalbar Inc., a financial services research firm in Boston. “Frankly, I don’t think they have a choice,” he said. “Traditional transactional business is diminishing,” Mr. Harvey said. “There are so many things that are working against the wirehouses, and I think this is the opportunity.”