

## Consolidated Reporting: Top 10 Reports Every Wealthy Family Needs

Providing clients with the right financial information to drive insights and facilitate decision-making is a core responsibility of any private wealth management firm and essential to the effective management and preservation of wealth. It is essential, therefore, that the reporting advisors use to present this information, is comprehensive, accurate, timely and, importantly, structured to efficiently drive understanding and answer a client's key questions about their wealth, such as:

*What is my total net worth?*

*How much am I spending?*

*Where am I invested?*

*How are my investments performing?*

*How are my managers doing?*

*What are the risks to my wealth?*

*Am I in compliance with my mission?*

*Is there anything I should be concerned about?*



Given the inherent complexity of high-net worth portfolios, providing this information in a clear, concise and actionable format can prove challenging. With investments spanning asset classes, custodians and currencies, and various family members and ownership structures, it is critical that advisors construct reporting output that is designed to clearly and consistently present the data required for each client to quickly understand their complete financial picture and, in turn, make the critical decisions necessary to preserve and grow their wealth.

As private wealth firms and advisors construct a core reporting package for their clients, there are effectively ten different report "types" that should be considered for inclusion based upon the nature of the advisory relationship, as well as the specific configuration of a client's individual portfolio(s). Each of these report types is specifically designed to reveal important information about a specific aspect of a client's financial life, and when presented in combination should provide a comprehensive view that not only answers all of a client's key questions but provides true clarity about their wealth.

- **Financial Statements** (balance sheet, income statement, cash flow)  
Provides clients with a complete, high level view of their finances in clear, standardized format. Highlights key areas for further detailed discussion from overall net worth, to investment performance and spending.
- **Budgeting & Forecasting**  
For firm's providing clients with comprehensive wealth advisory services, these budgeting and forecasting reports provide valuable financial planning support, helping clients to manage and determine spending based on estimations of cash flows.
- **Entity Ownership**  
For multi-entity families with complex ownership structures, it is essential to have reporting that can provide a clear and accurate depiction of true ownership – and ownership changes - whether it is for an individual family member, or across an entire multi-generational, highly-diversified family.
- **Exposure**  
The families with complex ownership structures not only need to understand how ownership is allocated, but also need the ability to clearly view and analyze both direct and indirect exposures across all accounts and investments in order to understand their true net worth.
- **Asset Allocation**  
View comprehensive asset allocation across asset type, sector, custodian, geography, currency, etc. to understand portfolio risks and exposures, assess allocation policy compliance (within and across managers), and facilitate decisions regarding future investments.
- **Performance & Attribution**  
Measuring performance and understanding its drivers across multiple dimensions is an essential component of any effective client reporting package. Providing clear depictions of total portfolio performance as well as separate component performance views (at the manager, asset class, security, account, and/or currency level) enables clients to understand both risks and opportunities and make important assessments regarding their managers and allocations. Based upon the type of investments, the reporting should use the calculation best-suited to understanding the performance of that particular asset or set of assets i.e., a time-weighted (TWR) or money-weighted return (IRR). In addition, the reporting should incorporate, where appropriate, standard industry benchmarks to assist the client in gauging the relative performance of their portfolio, managers or individual accounts.
- **Activity & Holdings**  
After viewing broader portfolio attributes regarding allocation and performance, it is important to provide the underlying holdings and activity detail associated with the individual accounts and investments within the portfolio.

Holdings reports should be used to help clients understand the individual investments they hold within and across various accounts, showing the total market value held for a specific security, in conjunction with its cost and tax basis and realized/unrealized gains and losses.

Activity reporting provides a clear breakdown of the activity (inflows and outflows) within and across accounts, from dividend and interest information to fees and withdrawals.

- **Risk & Analytics**

Risk information and metrics are often only utilized internally by advisors and presented to only more sophisticated clients. However, a well-structured, clear presentation of select risk data – accompanied by advisor guidance – can be a highly-effective tool in helping clients better evaluate their portfolios/investments and drive better decision-making.

- **Alternative Assets**

Nearly all of today's wealthy clients have exposure to alternative assets, whether private equity, hedge funds or real estate. Effective understanding of both the unique performance and activity attributes associated with these assets warrants separate, standalone reporting – including information such as contributions and distributions, as well as commitment information and liquidity projections.

- **Partner Statements**

For clients with partnerships, reporting that delivers concise, accurate insights into each partner's portion of the partnership's income and expenses is essential to fully understand the impact of the investment(s) and a valuable component of an overall reporting package. Compiling a suite of reports within and across the various types above to create a tailored reporting package reflective of the unique attributes of a client's portfolio, is the most effective way to communicate with and empower clients regarding their financial lives. Not only will the right information facilitate and strengthen the client-advisor relationship, it will also ensure the better management, preservation and growth of the client's wealth.

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