

Wealth Management

Cuban lessons for US wealth management

Mel Lagomasino, CEO of WE Family Offices, on always acting in the best interests of clients

ATTRACTA MOONEY

Maria Elena Lagomasino knows many rich and powerful people.

The 67-year-old chief executive was recently pictured strolling with Warren Buffett, the billionaire investor, in Idaho. There are photos of her sitting beside George W Bush in the Oval Office of the White House when he was the US president, and some of her smiling alongside Beverly Sills, the late US opera singer.

But anyone expecting Ms Lagomasino, who is known as Mel, to fill a conversation with stories of her wealthy and influential acquaintances will be disappointed. In the flesh, the chief executive of WE Family Offices, which oversees \$6.8bn for some of the world's richest people, is discreet.

During the hour-long meeting at the FT's London office, she never once name drops. The Columbia University graduate refuses to name any of the wealthy families, worth an average of \$98m each, she works with.

After all, the world's wealthy expect discretion – something Ms Lagomasino is well versed in. During a 39-year career she has worked with some of Latin America's richest people during her time at Citibank, before becoming chief executive of the private banking arm at JPMorgan Chase.

Since 2005, she has run US-based multifamily offices. This often secretive subsection of the wealth management industry works with rich families, advising on issues ranging from tax and estate planning to investment advice.

While she is evasive about her clients, Ms Lagomasino, who sits on the boards



of Coca-Cola, the soft drinks producer, and Walt Disney, the media group, is forthcoming and frank when questioned about the most topical issues in the investment sector, especially the ill treatment of investors.

“It is all about sales, sales, sales, how much we sell, how much money we can make. Whether or not it is in the best interest of the client or whether or not you have conflicts [when selling a product], that becomes secondary,” she says.

Ms Lagomasino, who was named one of the 25 most influential women in finance by American Banker, the publication, in 2012, is one of the founding members of the Institute for the Fiduciary Standard, a think-tank set up in 2011. She says the group has worked with the US Department of Labor to push for standards to be introduced that will require financial advisers to act in the best interests of their clients.

“We won this one. Anyone advising on a retirement account or any kind of retirement fund has to be a fiduciary and stick to those rules. And that is huge,” she says.

The rule, which comes into force next year, could lead to cost savings of \$17bn a year for US

workers and retirees. The idea is that broker-dealers and other intermediaries will be deterred from recommending funds simply because they pay a big commission.

A small army of Wall Street professionals have come out in opposition to the proposal. But Ms Lagomasino is unperturbed by the hostility. “I am hoping that this will really change the industry.”

We move the conversation to Cuba, the country where she was born in 1949.

A year and a half after Fidel Castro came to power, when she was 11, her family fled the Caribbean nation for Connecticut, leaving behind their tobacco business. They owned Punch and Hoyo de Monterrey, two of Cuba's most famous cigar brands, which were nationalised during the socialist revolution.

For much of her life, the US had a policy of official hostility towards Cuba, including an embargo that forbade almost all trade and travel between the two countries. In 2014, Barack Obama, the US president, announced a new deal to lift parts of the embargo and engage diplomatically with Cuba. The deal has faced huge opposition, including from many Cuban-Americans.

Ms Lagomasino says: “I think the opening is absolutely the right thing. It is long overdue.”

She sits on the board of two Cuban-related not-for-profit organisations, including one called Cuba Emprende, which teaches the country's micro-entrepreneurs financial literacy.

“Under [Cuban] law today, people can open a beauty shop or a little restaurant, but there is no financial literacy, because there has been no business

WE Family Offices
Founded 2013
Assets Advises on \$5bn and reports on an additional \$1.8bn
Employees 48
Offices Miami and New York City
Ownership 16 partners

in Cuba for 54 years.”

Ms Lagomasino circles this issue back to her current job in the US. The rich families she works with are financially literate, but that has not stopped them paying too much money for investment products, she says.

Ms Lagomasino says she left the big private banks as a result. “There is a gap you could drive a 747 through in what clients are really paying [in asset management fees] and what they think they are paying,” she says.

She cites a client who came to the family office, which Ms Lagomasino co-founded in 2013, with 57 different investments, and has accounts with various banks and asset managers. “The first thing we saw was that he was paying \$600,000 a year in taxes he did not need to pay, and the second thing we saw was that he was overpaying for a lot of the asset management products,” she says, adding that her firm saved the client \$900,000 in fees and taxes in one year.

The family office, which charges clients a retainer and does not accept commissions paid by fund providers, has spent the past few years challenging asset managers and private banks over the sums they charge rich families.

This has become more important than ever because of the low-yield environment, she says. “Fees and taxes matter, and they matter even more than ever with the kinds of returns [in the market today].”

CV
Born 1949 Cuba
Total pay Not disclosed
Education 1966-70 BA, Manhattanville College 1971-73 MS, Columbia University 1976-78 MBA, Fordham University
Career 1977-83 Vice-president, South American private banking, Citi 1983 Vice-president (Latin America), Chase Manhattan Private Bank 1989 Head of the western hemisphere, Chase Manhattan Private Bank 1997 Head of worldwide private banking, Chase Manhattan 2001-05 Chairwoman and chief executive of private banking, JPMorgan Chase 2005-12 Chief executive, GenSpring Family Offices 2013 to present Chief executive and managing partner, WE Family Offices