

THE WIKIPEDIA REVOLUTION | THE BILLIONAIRE SERVICE INDUSTRY | HOW PRESIDENTS DOODLE

# THE Atlantic

SEPTEMBER 2006

**A NEW STRATEGY  
FOR THE FIGHT  
AGAINST TERROR**

**We Win.** **BY JAMES FALLOWS**

AL-QAEDA'S MISTAKES, AND OUR SUCCESSES, HAVE SHARPLY REDUCED THE TERRORIST NETWORK'S ABILITY TO HARM THE UNITED STATES. ITS THREAT NOW RESTS LESS ON WHAT IT CAN DO ITSELF THAN ON WHAT IT CAN TRICK, TEMPT, OR GOAD US INTO DOING. ITS DESTINY IS NO LONGER IN ITS OWN HANDS ...



WWW.THEATLANTIC.COM

\$5.95 Canada \$6.95

09>





*Need designer lighting for your jet? Fancy a dressage horse for your daughter?  
Have staffing issues in your 50,000-square-foot house? A growing army  
of experts stands ready to bear any burden for the ultrarich*

BY SHEELAH KOLHATKAR

# Inside the Billionaire Service Industry

The gap between the rich and the poor has been growing wider for some time, but the *really* rich have now achieved escape velocity. They have far more money than ever before—and a mind-boggling number of decisions to make about spending it. The “ultrarich”—loosely defined as those with investable assets of more than \$30 million—often lead tremendously complicated lives. There are approximately 30,000 such people based in the United States, and nearly 50,000 elsewhere in the world, according to Capgemini and Merrill Lynch’s *World Wealth Report of 2005*. They are the aristocracy of a new Gilded Age—and providing services to them has turned into a gold rush.

Becoming wealthy in the first place might seem like the hard part, but once a person *has* money, other real challenges present themselves: What kind of rich person does one want to be? Is a sprawling mansion or a slender townhouse preferable? Should one build a game park or an English garden? And then there is the matter of figuring out who should look after all these things. To hear the caretakers of the ultrarich describe it, the

wealthiest among us are like dinghies adrift on the open sea—lost in their money and the endless options that come with it. (You could call it “Overwhelmed Billionaire Syndrome.”) Fortunately, the free market will provide: an army of experts has sprung up to help them navigate their lives.

One of these experts is Natasha Pearl, a former management consultant who was trekking through Nepal five years ago when she realized what she was put on earth to do: help the wealthiest people make their lives easier. She came home and transformed herself into a “lifestyle consultant,” and she hasn’t looked back.

Some of Pearl’s customers have problems that the merely upper-middle class could hardly conceive of. She has helped parents look into buying a \$40,000 dressage horse for their daughter to ride while away at college, sorted through museum-quality art collections forgotten in storage, and found an expert to negotiate aircraft leases.

One family considered hiring her to find public-relations specialists who could help with crisis management—basically, to keep them out of the

*Sheelah Kolhatkar is a reporter for The New York Observer.*

news and off the Forbes 400 list. (Getting *on* the list may be a triumph in some circles, but in others it's even better to stay *off*.) And a young hedge-fund manager asked Pearl if she could find someone to identify the best parties in New York, Las Vegas, and Los Angeles each week—and to make sure he was invited. (She turned down this assignment.)

Business for consultants like Pearl isn't likely to slow down anytime soon. A look at the wealthiest Americans reveals that those at the very pinnacle—the top 0.1 percent—have done so well in recent years that everyone else is eating their (gold) dust. An analysis by David Cay Johnston in *The New York Times* found that the average annual inflation-adjusted income of this group increased by two and a half times, to \$3 million, from 1980 to 2002. The average net worth of those on the Forbes 400 list has mushroomed in the last twenty years, rising from \$390 million to \$2.8 billion, and the number of U.S. billionaires has increased over that same time from thirteen to 374. By some measures, the fortunes of today's richest people are as concentrated as those of their predecessors in the Roaring Twenties and the robber-baron era of the late 1800s.

In the meantime, America's less fortunate have seen their share of the country's wealth drop—but there's nothing like shopping to ease the pain! Lubricated with cheap credit and the social acceptability of carrying huge amounts of personal debt, Americans at all income levels pile into the luxury marketplace alongside those who can actually afford to shop there. And so the truly wealthy have had to get more creative about spending money in order to distinguish themselves from the shopgirls waiting on them, who are likely to be carrying the same Hermès handbag (or at least a convincing knockoff). One way to set themselves apart is by pouring resources into experience and “lifestyle.”

All manner of professionals see a future in whispering into billionaires' ears. (It would be a decidedly “soft” science, but one can imagine “helicopter-fleet management” becoming a university degree.) Like any subculture, this piece of the service sector comes with its own assumptions and its own delusions. Its practitioners are as slick and on-message as a group of Wharton-trained management consultants. Plenty of self-aggrandizing jargon gets thrown around: terms like *ultra-high net worth* are mixed in with Jack Welch-style business talk; rich people are *principals*, and even the most minute aspects of their lives require *management* in order to be *optimized*. This work requires subtlety, even amateur psychoanalysis; those providing the services are selling trust to people with unlimited resources, coaxing them into articulating their dissatisfactions and then doing something about them (which usually means spending boatloads of money). Sometimes pie charts are involved.

The job isn't all champagne and roses. “You have to be selective,” says Mark Hancock, a managing director at Tiedemann Trust Company who handles finances for eight ultrarich families. “I'm not just taking any multibillionaire off the street. These people are typically control freaks—extremely focused, sometimes extremely difficult. You don't become a billionaire by just sitting passively by.”

The wealthier the client is, the more options there are for insourcing advice on how to spend creatively. Pearl touts her company, Aston Pearl, as “The Private Bank for Everything Except Money,” and she comes armed with a Rolodex that would make a village yenta proud: 3,800 names in 267 subcategories, including “designers of lighting for Gulfstream aircraft” and “specialists in seventeenth-century hand colored maps.” Once all those advisers are hired, they need to be managed, transforming the wealthy person into a corporation in miniature.

Her sense that the ultrarich are sometimes almost helpless when confronted with the challenges of everyday life infuses Pearl with compassion; she sees her job as a combination of sales and public service. Around the next corner, for example, an opportunistic decorator might be lurking, hoping to bilk an unsuspecting billionaire on overpriced housewares. (Recall the former Tyco CEO Dennis Kozlowski's explanation of the wildly extravagant shower curtain found in his apartment after he was indicted: “I understand why a \$6,000 shower curtain seems indefensible,” he told *The New York Times*. “But I didn't even know about it. I just wasn't even aware of it.”) “The wealthiest people are very vulnerable to being taken advantage of,” Pearl says, her voice taking on an urgent tone. “New money doesn't know what things cost, because they've never bought a Mercedes Maybach or a \$10 million home. And old money also has difficulties, because they're shielded from these things. They don't *shop*, generally. They have people shopping *for* them.”

Even vacationing is no simple matter. For the ultrarich, time-shares have morphed into “destination clubs.” At the travel firm Tanner & Haley, for example, \$1.5 million up front—an “investment” that may be resold at market value when the client leaves—and an annual fee of \$75,000 buys a membership to the company's “Legendary Retreats”: thirty-four homes around the world, each worth \$7 million to \$10 million. “Some people really care about doing it as well as it can possibly be done,” says Rob McGrath, Tanner & Haley's CEO. “If you end up in a house in Telluride that has a bowling alley in it, a game room, a staff of nine, twenty-seven TVs, and a private chef, and you're right on the slopes, and you fly in on your Lear 60, that's pretty damn good.”

A comparable level of exclusivity is available to the well-heeled patient wanting insulation from the American health-care system. For initiation fees of \$1,000 to \$15,000 and annual dues of between \$2,500 and \$50,000 (six levels of membership are available), a company called PinnacleCare assigns “advocates” who will manage a client's health care—investigating specialists and medical research, securing access to top doctors, and juggling appointments. (The cost of the treatment itself is separate.) Nearly all of the advocates are women, and they exude a motherly efficiency, cooing to their clients and sweet-talking the surgeons. But one suspects that their claws come out when necessary. Having an advocate present during a hospital stay, one client said, is like having an extremely knowledgeable relative on hand for hours a day, exerting relentless pressure to get whatever the patient needs.

The ultrarich often have a “fix me, get me surgery right away” attitude, and will pay handsomely to have it accommodated, says John Hutchins, who cofounded Pinnacle in 2002. (He was the director of international services at Johns Hopkins Hospital from 1994 to 2001, and held a similar post at the Cleveland Clinic before that; both were treatment centers of choice for sheikhs, Latin American moguls, and other well-connected foreigners.) I heard of one family that kept a group of doctors on retainer for years, paying some of them more than \$100,000 annually to be available at a moment’s notice. But the arrangement became difficult to maintain: the best doctors resisted being tied to a small group of patients, and some questioned whether the practice was ethical. So the family joined Pinnacle instead.

And of course there are the children to think of. The ultrarich mirror other Americans in their anxious devotion to their progeny, and they have taken to hiring specialized psychologists to address the various issues—aimlessness, a sense of entitlement, and so on—that may afflict them. One financial adviser was reportedly asked to find someone to teach a client’s children about wealth and the responsibilities that come with it. He got quotes from four “wealth counselors”: the cheapest was \$1,600 a day, the most expensive, \$16,000.

As this story illustrates, finding the market price is one of the trickier aspects of serving the ultrarich. “There’s no transparency about what the fees should be,” Pearl says. “How much do you charge someone to curate their wine collection? You can’t comparison shop for that.” She does offer one rule of thumb: “If you’re not the type of person who’s planning an anniversary party in the south of France for fifty friends, where you’re going to fly them over, we’re probably not going to be able to help you. It’s not that we *can’t* help you; but you’ll find that our fees are prohibitive for what you want done.”

### BECOMING SUPER-JEEVES

There are now entire schools devoted to training professionals to serve the ultrarich. One of the most prominent is the Starkey International Institute for Household Management, in Denver. On the first day of a four-week course on running a household (programs last four or eight weeks), there was much talk about a recent star graduate, a retired Air Force lieutenant colonel who had just landed a \$125,000-a-year job as an estate manager near Washington, D.C. His boss, a businessman worth about \$1.2 billion, had a grand vision for integrating architecture, landscaping, and a vast modern-art collection on his nearly 200-acre estate. The former lieutenant colonel would be designing a model for running it and two other properties, setting up security for all three, maintaining a private jet, and generally trying to ensure his boss’s perfect quality of life.

An estate manager’s role goes far beyond that of the classic butler or personal assistant—picture Jeeves crossed with the CEO of a Fortune 500 company. It usually involves overseeing multiple residences (a “household manager,” by contrast, is typically in charge of just one). This job has become a hot second career for former members of the military, who may retire as young as forty and are seen as trustworthy and able to

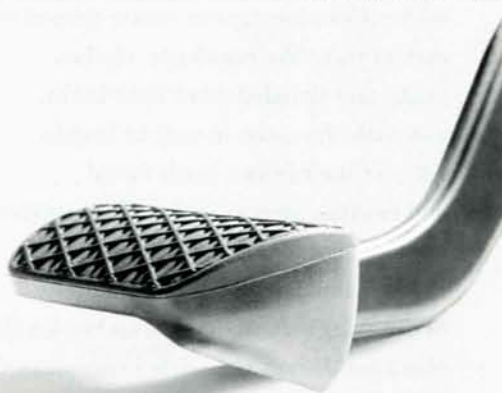
take orders without flinching. Along with others who have already had substantial careers or who hold advanced degrees—people who would normally never consider a position as a “domestic”—they are signing up at the institute in droves.

The Starkey International Institute was founded by Mary Louise Starkey in 1990. A hard-nosed fiftysomething entrepreneur with watery hazel eyes and a voice that could cut through lead, Starkey is fond of grand pronouncements like “The age of service is upon us.” When that age arrived, she was more than ready for it.

Perched on a chair in her bright, cluttered office, Starkey told me that her business—which includes several ventures in addition to the school—is “exploding.” The day we spoke, she was a little bleary, having just returned from Vanuatu, a cluster of islands in the South Pacific. An American investor had bought one of the islands and hired Starkey to create a vacation spot worth renting for, say, \$250,000 a week. There will be just one villa, offering absolute privacy. Being on the island is “like being the only person on the planet,” Starkey said. The name of the island is a secret, and rentals will be by invitation only, to protect against paparazzi. Two of Starkey’s graduates were already there, preparing to train locals in six-figure pampering.

Starkey’s bread and butter, however, is placing graduates of the institute inside mega-mansions in the United States. The school is housed in a 13,000-square-foot Georgian mansion. Gilt mirrors, potted orchids, and glittering crystal

©2006 Mercedes-Benz USA, LLC



### PERFORMS UNDER PRESSURE.

It's called Brake Assist. It monitors the speed at which the driver steps on the brake, and if it senses panic braking, applies a full-power braking boost automatically. One more way we make you feel more secure. At Mercedes-Benz, safety engineering never stops.



Mercedes-Benz

MBUSA.com

abound. The students attend lectures in the basement and rotate through all the jobs they might either hold or have to supervise, from household manager to assistant chef. They spring like panthers at the sight of a fleck of lint. As a result, the place is brilliantly, terrifyingly clean.

The crop of new students I met consisted of four men and two women, all age forty or so. Two—one man and one woman—were enlisted aides in the armed forces (a position that entails keeping quarters and preparing meals for top-ranking officers); the military was paying their tuition. One man had just retired after thirty years in the Air Force. The remaining two men were strikingly cherubic: one had been an interior designer and a private chef in Texas; the other had managed households for six families in Florida (he was looking to brush up on his skills). The sixth student, a mother of three young children, owns a property-management firm in Chicago. The instructor, meanwhile, had been a White House chef to George H. W. Bush and served on the private staff of Al and Tipper Gore.

On the first morning, Starkey delivered a pep talk clearly aimed at convincing the students that they do not face a future of indentured servitude. "Service is a well-recognized

expertise and a highly paid career path," she declared. Dressed in black, with a turquoise wrap flung over her shoulders, she worked the room with evangelical zeal; after each statement, she narrowed her eyes and stared at the students with blazing intensity, as if the Almighty Himself were speaking through her. It was important to learn "to be on someone else's agenda," she said, adding, "It's much easier serving someone who knows what they want." She showed slides of alumni: a young man with a passion for cars who had been placed with an auto collector; a grinning woman who had become the head stewardess on one of the biggest yachts in the world. "This is one of my Chinese graduates," Starkey said, showing a picture of a man in a servant's jacket reminiscent of the ones worn on *The Love Boat*. "Isn't he beautiful? I fall in love with all my students."

It must be tough love: Starkey has stringent expectations. She admonishes students to begin a placement by studying their employers as if they were laboratory specimens, in order to thoroughly understand their lifestyles and needs. (To illustrate her point, she cited clients in Denver, "Pakistani royalty" who take their main meal each day at 2 a.m. and fly cooked dinners to their grown children in California daily.)

Suggested "talking points" in the institute's textbook include the following: "What are your overall goals and dreams of your lifestyle?" "Could you please use descriptive words and experiences to list three everyday priorities that speak to quality of life for you?" "At the end of your life, what accomplishments will you be most proud of?" Students are urged to make lists of their employers' tastes and sort them into the ten categories in the textbook's "Service Matrix." Under "Culinary Standards" the choices include "prefers clean, fresh style foods," "comfort food," "popcorn and chocolate," "loves all cookies." There are spaces on the grid for "prefers foreign autos," "never travels commercially," "wants all light bulbs changed weekly," "prefers household manager to know smart-home technology." It's all geared toward creating the ultimate luxury product: a remote brain calibrated to an employer's every whim and desire, one that can anticipate all needs and eliminate most decisions from daily life.

On Day Two, the students were given laminated floor plans for a "fairly large house" (6,000 square feet) under construction near Fort Worth. Working in pairs, they had to determine how many employees would be needed to maintain the house, which will include a library, a music room, and a "Moroccan room"; then they had to "zone" each floor for the cleaning staff. The students huddled and strategized, using Sharpie markers to create intricate diagrams studded with colorful arrows. The Moroccan room wouldn't know what hit it.

Most of the people who contact Starkey seeking household help are retired CEOs, current business owners, or entrepreneurs who have sold their companies. She also gets calls from resorts and from private hospitals that want to emulate four-star hotels.

## EVERYONE WAS IN LOVE

One day, when they were little, Maud and Fergus  
appeared in the doorway, naked and mirthful,  
with a dozen long garter snakes draped over  
each of them like brand-new clothes.  
Snake tails dangled down their backs,  
and snake foreparts in various lengths  
fell over their fronts, heads raised  
and swaying, alert as cobras. They writhed their dry skins  
upon each other, as snakes like doing  
in lovemaking, with the added novelty  
of caressing soft, smooth, moist human skin.  
Maud and Fergus were deliciously pleased with themselves.  
The snakes seemed to be tickled too.  
We were enchanted. Everyone was in love.  
Then Maud drew down off Fergus's shoulder,  
as off a tie rack, a peculiarly  
lumpy snake and told me to look inside.  
Inside that double-hinged jaw, a frog's green  
webbed hind feet were being drawn,  
like a diver's, very slowly as if into deepest waters.  
Perhaps thinking I might be considering rescue,  
Maud said, "Don't. Frog is already elsewhere."

—GALWAY KINNELL

*Galway Kinnell's eleventh collection of poems, Strong Is Your Hold, will be published this fall. He teaches writing at New York University.*

In 2002 she initiated a process with the Department of Labor to design a national apprenticeship program for household managers. The first apprentice began training in June.

The institute doesn't advertise, but revenues from tuition and placement fees were up 35 percent last year compared with the year before. About a hundred students go through the school annually. And yet there is more demand for household and estate managers than there are trained candidates to meet it.

"People who have money will tell you the first thing they do is buy their dream car. It's usually red or black, and it's usually a convertible," Starkey told me. "And then they discover that they don't like standing out and having everyone in the world knowing who they are and what they're doing. So they get rid of the car and get something more low-profile. Same thing happens with homes. When they realize they have money, they buy a huge acreage and build a 35,000- or 55,000-square-foot home. Then they realize that they have to staff it."

Most families first try a local solution. But that almost inevitably falls short of what they need—they decide they don't want someone who's earning \$30,000 a year looking after \$40 million worth of stuff. Usually it's the woman of the house who has to deal with the situation, and she's driven to despair. ("The weariness of our clients is their common denominator," Starkey's assistant, Heili Lehr, told me.) "Then they come to me," Starkey says.

Starkey conducts a "site visit" to look for "patterns and priorities of what's important" to the family and develop a service-management plan. She starts by getting the lady and gentleman of the house in one place to talk about it, usually over dinner (they pay). During the meal she peppers them with questions: "What is your vision of service?" "What is your lifestyle and quality of life?" "Outline the family tree." The next day she inspects the property. She probes every room ("I open the drawers and look inside and underneath"), occasionally finding an "outrageous surprise"—a three-year-old child with a hundred pairs of shoes, perhaps, or a woman with scores of Judith Leiber purses in a closet "bigger than most people's houses." She asks more questions: "Do you have an entourage?" "Do you wear Armani or St. John" (or workout clothes)? "Do you eat ice cream late at night?" She also poses questions to herself: "Is she a micromanager?" (it usually is the woman), or "Who's got the power in the house?" (sometimes it's the dog). At the end of the visit, Starkey produces a document—it might run to forty-five pages—outlining what she thinks the family needs. If appropriate, she tries to make a match with one of her graduates. The positions she fills are strictly executive; the cleaners and cooks don't come through her. This is reflected in the tuition for her courses—about \$13,000 for eight weeks, including room and board—and in graduates' salaries, which range from about \$60,000 to \$150,000 a year (Starkey takes a 25 to 35 percent commission).

The motivation to hire someone at a hefty wage to look after the details of an estate has to do in part with what one financial adviser calls "asymmetric risk": for some, a

bad experience hosting a dinner party is more painful than losing money on the stock market. Starkey believes that as wealthy people become wealthier and more sophisticated in their expectations, demand for her graduates will continue to grow. She predicts that in twenty years there will be a service school in every major U.S. city.

One characteristic Starkey shares with others in the field is relentless positivity in the face of constant, almost pornographic displays of wealth. "I hope you're writing about how wonderful it all is," she said to me more than once. And it *is* wonderful—in the way that unapologetic evidence of the fruits of one's success can be both awe-inspiring and unseemly, not to say quintessentially American. (In the ultimate aspirational society, we love hard work, but we love flaunting it even more.)

Then, out of the blue during one of our later conversations, Natasha Pearl said something surprising: "If the income inequality persists, we could end up with real armed camps, like in South Africa." She said she was increasingly aware of the tension between the "haves" and the "have-nots," and she described a surge in demand among the ultrarich for real estate in out-of-the-way places such as New Zealand and rural Argentina—expensive insurance policies in case things go haywire for some reason at home. "The wise ones are thinking about it now," Pearl said. Indeed, it might be worth planning ahead; I wonder what the going salary will be for a spot in an oligarch's private army. ▀

©2006 Mercedes-Benz USA, LLC

## TELE AID



### TO PROTECT AND SERVE.

The moment a seat belt Emergency Tensioning Device deploys in a Mercedes-Benz, the Tele Aid\* system activates automatically, contacting our Tele Aid Response Center with the location of the vehicle. Tele Aid also provides assistance via the Personal Concierge Service<sup>†</sup>, so you can trust that we're always there for you.

At Mercedes-Benz, peace of mind comes standard.



Mercedes-Benz

MBUSA.com

\*Tele Aid equipment is standard on many models and optional on others. <sup>†</sup>Concierge Service only available with Luxury & Convenience Package. Subscription required. Operates only where cellular service and GPS are available.