

The Wealthy Can Pay a High Price for Skimping on Security

Experts say the ultrarich are often complacent and even downright cheap about threats ranging from kidnapping to online crime.

By [Andrew Barber](#)

APRIL 08, 2014

When Susan Gutfreund, the wife of former Salomon Brothers CEO John Gutfreund, quipped in the 1980s that “It’s so expensive to be rich,” the response ranged from amusement to derision. As it turns out, Mrs. Gutfreund was onto something.

U.S. hedge fund manager [Edward Lampert](#) learned the cost of being wealthy when four men kidnapped him outside the Greenwich, Connecticut, office of his firm, ESL Investments, in 2003. His captors had demanded a \$5 million ransom, a sum they never claimed, and Lampert was eventually released. Edmond Safra wasn’t so lucky. In 1999 the billionaire Lebanese-Brazilian banker died at his Monaco mansion in a fire started by a staff nurse who hoped to claim a reward for rescuing him.

Anthony Celano has seen his share of rich people in trouble. “My job is to make problems go away,” says Celano, CEO of Full Security, a New York–based consulting firm he launched in 2000 after a career with the New York Police Department as a detective squad commander and on a narcotics task force with the Drug Enforcement Administration. Celano works with wealth managers, family offices and law firms whose clients are facing a family crisis, often one that calls for great discretion. Whether it’s extortion, suspected embezzlement or background checks on a significant other, he’s called in to advise after the key players have grown hostile. “They act before they think it through, and then they need someone to help them sort through the fallout from that decision and find a path out,” Celano says.

There have always been gold diggers and scam artists who target the wealthy, but new technologies and geopolitical uncertainties like terrorism add to the list of worries. Although every news event seems to provoke fresh fears, experts say that concern is often short-lived and that complacency can be the biggest danger.

“Americans are really great at two things: wake-up calls and hitting the snooze button,” says Paul Viollis, CEO of Risk Control Strategies, which specializes in security for corporations and affluent families. Before co-founding RCS in 2004, Viollis had a long career in security services and criminal law that included stints at risk consulting firm Kroll, where he served on the post-September 11 threat assessment team, the criminal court unit of the New York County District Attorney’s Office and the U.S. Space Command. In his experience, client inquiries tend to spike after threats like home invasions and carjackings make the news. New York-based RCS strives to help clients avoid knee-jerk reactions by being prepared. That means thinking about unpleasant realities, Viollis admits: “By nature, none of us want to be inconvenienced; you have to be inconvenienced to be safe.”

RCS’s repertoire includes exotic services such as hostage situation management and bug sweeping, but increasingly the firm’s focus is cybersecurity. Wealthy households, [financial advisers](#) and family offices have entrusted safety to retail consultants who can, in the end, become quite costly because of nonprofessional lapses. “Cheap is expensive,” says Viollis. The generational divide in [technology](#) may call for counseling if family heads fail to grasp the perils of their offspring’s social media use. RCS now gets more client requests prompted by online illicit behavior and explicit images than by real-life transgressions.

The complex lifestyles of the ultra wealthy further compound their risk. Large homes and multiple residences can require a small army of trustworthy staff, from bicoastal nannies to medical professionals who care for older family members. “Finding the right person can involve reviewing thousands of résumés that boil down to only a handful of

live interviews,” says Teresa Leigh, founder and CEO of Teresa Leigh Household Risk Management. “And even after you find the right employee, there is a lot more work to be done.”

Leigh’s Raleigh, North Carolina–based company specializes in helping the rich recruit and manage household staff, a task that comes with tax, administrative and security burdens. With clients ranging from newly minted Silicon Valley billionaires to a family that has been wealthy for six generations, she’s noticed that people from very different backgrounds run into the same problems. “Let’s say that you have staff working at two residences in two states and you are not properly handling state tax obligations for one of the homes, or you fail to pay overtime,” Leigh says. “The punitive fines brought by some states can run up to \$1,000 a day.”

As have other wealth security advisers, Leigh has seen people make big mistakes by trying to cut corners. “They need to understand that there is a world of difference between a true household manager and a personal assistant, and that hiring a person unqualified for the task will cost much more in the long run,” she says.