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# Taking the Measure of Your Managers

The days of deposit and forget it are over. If investors want remarkable returns, they must build interactive relationships with their financial advisors. By Judy Martel

DURING THE TECHNOLOGY BOOM that sent the stock markets soaring in the late 1990s, Roger Cossack, the legal expert and commentator for ESPN and CNN, grumbled constantly about his investment returns. When the market was up 20 percent, his gains were 15 or 16 percent. He called his money manager, James Berliner at Westmount Asset Management in Los Angeles. "I said, 'Jim, this is killing me. All the guys at my gym are saying they're buying stocks at 12 and selling them the next day at 50. I need stories to tell them.'"

Cossack says he'll never forget Berliner's response. "He said, 'If this is really what you want to do, you need to find someone else.' Well, I didn't want to do that. It's like in junior high: I just wanted to lie about sex. I didn't want a new broker." Though Cossack says he was never serious about leaving Berliner—they began working together in 1990—the conversation reinforced his faith that his money manager is honest and trustworthy, traits he finds most important in an advisor.

Indeed, listening to investors discuss what pleases them most about financial advisors is like reading a courtship guide: always returns phone calls promptly, shows an interest in hobbies and family, and maintains a pleasant disposition. Investors also consider high energy, trustworthiness, loyalty and intelligence essential qualities. Building a portfolio with solid performance is a given.

While many successful investors enjoy solid working relationships with their financial advisors, digging deeply into an individual's fiscal affairs often reveals a history of hard-learned lessons. Getting to the point where an individual or family can demand and receive the best service can entail a backdrop of false starts and missed opportunities. Clients who have reached the top of the financial services pyramid (some of them admittedly more fiscally savvy than others) can offer insights into how they have built successful relationships with their current managers.

**BUILD A FOUNDATION OF TRUST**

Trust clearly remains the primary component of the investor-advisor relationship. Many investors, while knowledgeable enough to conduct background checks and interview references, admit to simply having a gut feeling about their advisor's fidelity. They seem ignorant of the ongoing skills required to build a bond characterized by confidence. Cossack knew he had picked a winner by the manner in which Berliner candidly assessed his own skills and long-term market strategy instead of capitulating in the face of Cossack's demand for higher returns. Plainly put, Berliner proved that he is accommodating, but a professional focused on attaining stable performance over time versus chasing high-risk investments. Obviously, Berliner's approach paid off when the tech bubble burst.

Ginny Neri recalls a pivotal moment with her advisor, Laurie Bagley of Strategic Wealth Advisors in Scottsdale, Ariz. "The only time we didn't take her advice, we will forever regret," she says. Neri, a teacher, and her husband, Phil, a former executive with Dial and currently vice president of sales and marketing for Barrett-Jackson, a car auction company, had considered an investment in a vehicle that initially appeared quite sound. Bagley advised against it. They ignored her counsel, however, and eventually lost money. Since then, they've become disciples of her advice. "Several years ago, my husband thought about buying a business, and Laurie went over everything with a fine-tooth comb," Neri remembers. The couple rejected the deal, based mainly on Bagley's counsel. "She would have been supportive if we had decided to do it anyway, but she doesn't pull punches."

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According to individual investors, an advisor's positive results fortify the sense of trust. Real estate magnate Donald Trump hired an in-house financial team decades ago. Their success with him has increased his faith in them, even though he maintains ultimate control. "I listen to what they have to say, and make my own decisions in the final analysis," Trump says. "I know the responsibility rests with me, but I have excellent people and I respect their input."

Morgan Gust, former president of Giant Industries, a publicly traded petrochemical company based in Scottsdale, began working with Bagley when she was a vice president at JPMorgan. Initially, she did not make investment decisions for him. "It was a very different relationship," he says. Gust gave her a small amount of money when she opened her own firm in 1999; ultimately, he transferred more money to her control as his confidence in her ability increased.

Some investors choose to hedge their bets with more than one advisor in order to reduce their risk. Dean Stolber, co-president of MGM On Stage, which adapts film classics for live theater all over the world, has two firms managing his money: Homrich & Berg in Atlanta and Westmount Asset Management. Spreading the risk among the two eases his mind, he says, and although he harbors great trust in both firms, he admits that limiting his potential for trouble assuages his fears. "I rely on them more so I can relax," he says. "I don't have to study the markets anymore. I spent a lot of time in the past studying the markets, and I couldn't devote the time." Stolber has invested in real estate on his own, and says he's been through many different managers. "It's a relationship," he says. "You have to feel comfortable."

Trust also extends into other facets of a client's life. Neri says that her advisor, Bagley, "has watched my children grow." When Neri's oldest daughter graduated from college last year and wanted to buy a condominium, they discussed it with Bagley. "We were also helping support her financially, and so [Bagley] helped us with what we needed to do," Neri adds. "We have three children. Our two older children are taking control of their investments, and the firm advises them. They know exactly what their goals are."

When Gust's father passed away, his advisor immediately began helping him work through what he calls the nuances. "She was in from the beginning," Gust says. "She didn't say, 'I'll help you after the lawyers are done.' I like someone who seems genuinely concerned about my interests, in terms of my money. But I would tell you that, over the years, when you're dealing with your money, you're dealing with other aspects of your life, too."

#### ESTABLISH FREQUENT AND FRANK COMMUNICATION

Managers who simply don't return phone calls rank low on any investor's list. No matter how spectacular their portfolio's returns, many individuals cite as terrible partners their past managers who either did not return messages or did not seem to listen to them. Investors also seem to abhor the practice of passing off phone calls to a subordinate.

Gust acknowledges that he likes his advisor to literally remain on call. "I might not think about my portfolio for several months," he says, "but when I do, I want to talk." Likewise, his advisor will call if she has failed to hear from him for a long period of time. "I'm like anybody," he says. "I like someone who gets back to me and returns my phone calls and emails." His previous advisors often failed these tasks, and sometimes asked their underlings to call him back. "I had the feeling my portfolio would come up occasionally, instead of them thinking of me all along."

Clients generally want to be able to determine the frequency of meetings according to their comfort level and events in their lives at any given time. Many clients with active business interests require more frequent contact, while those winding toward retirement need less. Trump says he and his in-house financial experts discuss strategy together, with all of them plugged into what's going on. Allen Weisselberg, Trump's CFO, has been with him for 30 years; Jeff McConney is controller and Eric Sacher is assistant controller. "They work well together as a team," Trump says. "I meet with them as we need to, maybe a couple of times a week, and with Allen on a daily basis."

Although most investors do not require or want daily meetings, they do need to feel confident that if changes need to be made to their financial strategy, or they simply need to be reassured, they will be heard. "I can call Jim the day the market goes down 250 points, and he'll call me back and assure me that all is well, and not to jump," Cossack says. Stolber says he stays in touch regularly with his advisors. "We talk once a month—either they call me or I call them, and we generally meet once a quarter. It's what we both wanted. When I joined them, I asked how often we would meet, and they all said as often as I want."

**COLLABORATE AND CONQUER**

The most successful investors consider themselves partners with their money managers. They appreciate and value expertise, but don't want strategy dictated to them. Stolber parted ways with a money manager who, he says, was "charming, with wonderful credentials." Both Stolber and his wife were very impressed, but the manager proved too rigid for their tastes. "I would say, 'We are underperforming relative to the benchmark,' and offer my suggestions. He would say, 'You have to trust me.' He was going with a gut judgment, and he wasn't going to budge from it."

Stolber adds that his manager would also tell him: "'When the market tanks, you'll be happy with me, because you were conservative.' He had the courage of his convictions, but they weren't mine. I wanted a broader range of asset classes, because he could be wrong."

Stolber's current managers met with him and his wife to discuss goals, risk tolerance, time horizons and other pieces of their family picture, and then presented a general approach to a model that they tailor to his specific requirements. "If I have an investment decision I want to make that is separate and apart from them, I talk to them about it. I do some real estate investing, and I run it by them and tell them where I'm taking the money from. I'm very concerned about asset allocation and that it stays balanced."

Gust also invests on his own, and is comfortable with a portfolio comprised of 70 percent equity and 30 percent fixed-income investments. "I've had good luck in down markets," he says. His advisor proposes portfolio reallocations on a regular basis and sends him several different scenarios, along with calculations of similar investments and how they have performed. Gust makes the final decision. "I don't like to be pushed into something," he says. "I don't want to have a big discussion if I feel uncomfortable."

**SPEAK THE SAME LANGUAGE**

"With all my accomplishments, I was born as a man who has no ability with money," Cossack concedes. "Certain things I don't get: why planes fly, why 800-ton boats don't sink and money. I don't get money. Years ago I had a Keogh plan, and I was the only guy in the world who lost money." Cossack says he has educated himself over the years, because as he's come closer to retirement, "all of a sudden, I'm interested in the money."

Cossack knows he needs a manager who can be straightforward with him and put his mind at ease when he hears frightening news about the market. "One of the things Jim doesn't do is the mumbo jumbo, because I have no idea what it means."

Although Cossack claims he always knew he needed to begin a retirement plan, he allocated money to previous advisors without understanding the investments. When he asked Berliner to look at his portfolio in 1991, Cossack says, "He came back to me and said, 'You have the worst portfolio and we have to start over.' I thought, how brave." Berliner set a goal of 8 percent annual ROI, and Cossack admits that some years he makes better or worse. Berliner directed Cossack's capital into funds rather than individual stocks. "I agreed to it and started giving him as much money as I could. With the previous company, I didn't know anything. I gave him everything, and it was in junk bonds I shouldn't have been in."

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Neri also admits to being short on financial knowledge, although her husband isn't. "She takes it down to my level and explains it to me," she says of her advisor. "Finance is not my thing." Neri says her previous manager simply failed to advise them. "It was more, 'What do you want to do with the money?' But with Laurie, I would tell her our goals and she would advise us and say, 'Now this is why.'"

Even financially savvy clients are not afraid to tweak communication so that it happens on their terms. For example, Stolber did not like certain aspects of the reports that Westmount Asset Management issued to clients. "I wanted different information about how the assets were performing against the benchmarks, and how individual managers were performing," he says. The firm changed the report for him.

Stolber explains that he prizes this type of flexibility with both Westmount and Homrich & Berg. "In cases where I've had discussions about changing things, they normally go along with it. If I didn't like what they were doing, I'd take my money out." W

*Judy Martel is the author of* The Dilemmas of Family Wealth: Insights on Succession, Cohesion and Legacy.

## THE TOP 100 WEALTH ADVISORS

| | FIRM, CITY | PHONE | FIRM ASSETS | LARGEST CLIENT'S NET WORTH | MEDIAN CLIENT NET WORTH | MINIMUM ASSETS FOR NEW CLIENT |
|---|---|---|---|---|---|---|
| **Arizona** | | | | | | |
| Laurie Bagley, CFA | Strategic Wealth Advisors, Scottsdale | 480.998.1798 | $155 million | $100 million | $5 million | $1 million |
| Thomas Connelly, CFP | Versant Capital Management, Phoenix | 602.635.3760 | $210 million | $100 million | $3.2 million | $2 million |
| **Arkansas** | | | | | | |
| Cynthia Conger, CPA, CFP, PFS | Cynthia L. Conger, Little Rock | 501.374.1174 | $41 million | $22 million | $1 million | $0.5 million |
| **California** | | | | | | |
| James Berliner, JD | Westmount Asset Management, Los Angeles | 800.817.0602 | $950 million | $150 million | $6 million | $1 million |
| Norman Boone, CFP | Mosaic Financial Partners, San Francisco | 415.788.1952 | $322 million | $25 million | $4 million | $2 million |
| Robert J. Francais, CPA | Quintile Wealth Management, Los Angeles | 310.806.4000 | $2 billion | $319 million | $37 million | $10 million |
| Bill Gurtin, MBA | Morgan Stanley, Rancho Santa Fe | 888.592.4559 | $697 billion | $10 billion | $60 million | $3 million |
| Meloni Hallock, CPA, MBA, PFS, CIMA | Acacia Wealth Advisors, Los Angeles | 310.246.0570 | $713 million | $1 billion | $50 million | $10 million |
| Neil Hokanson, CFP | Hokanson Assoc. Family Wealth Mgmt., Solana Beach | 800.436.2377 | $331 million | $84 million | $3.6 million | $1.2 million |
| Michael Johnston, MBA | Citi Global Markets, Irvine | 949.955.7557 | $1.5 trillion | $10 billion | $25 million | $4 million |
| Debbie Jorgensen, CFP | Merrill Lynch, San Francisco | 415.955.3782 | $1.6 trillion | $130 million | $20 million | $5 million |
| S. Timothy Kochis, JD, MBA, CFP | Kochis Fitz, San Francisco | 415.394.6670 | $2.25 billion | $410 million | $20 million | $5 million |
| Michael J. Ladge, MBA | UBS Wealth Management, Los Angeles | 310.772.7070 | $2.2 trillion | $1.6 billion | $7.5 million | $1 million |
| Todd Rustman, CFP, CFA, CLU | GR Capital Asset Management, Newport Beach | 800.805.7526 | $85 million | $75 million | $6 million | $1 million |
| Spencer D. Sherman, MBA | Abacus Wealth Partners, Sebastopol | 707.829.6190 | $655 million | $48 million | $6.8 million | $10 million |
| Richard A. Stone, CFP, CLU | Salient Wealth Management, San Rafael | 415.526.2900 | $424 million | $110 million | $2.5 million | $2 million |
| Carolyn P. Taylor | Weatherly Asset Management, Del Mar | 858.259.4507 | $195 million | $100 million | $8.5 million | $0.5 million |
| Christopher Wheaton, CPA, CFP | Litman/Gregory Asset Management, Larkspur | 415.461.8999 | $6.4 billion | $1.46 billion | $5.4 million | $3 million |
| Alan Zafran, MBA | Merrill Lynch, Menlo Park | 650.473.2052 | $1.6 trillion | $2 billion | $30 million | $10 million |
| **Colorado** | | | | | | |
| Mark R. Brown, CFP | Brown & Tedstrom (Linsco/Private Ledger), Denver | 303.863.7231 | $126 billion | $50 million | $7 million | $2 million |
| Scott Pann, MBA, CIMA | Citi Family Office, Colorado Springs | 719.577.6322 | $1.5 trillion | $420 million | $1.3 million | $1 million |
| Myra Salzer, CFP | The Wealth Conservancy, Boulder | 888.440.1919 | $1.1 billion | $400 million | $14 million | N/A |
| Michael J. Serio, CFA, CAIA | Citi Private Bank, Denver | 303.296.5850 | $1.5 trillion | $1 billion | $140 million | N/A |
| **Connecticut** | | | | | | |
| John F. (Jeff) Erdmann III, CFM | Merrill Lynch Private Banking, Greenwich | 203.861.5902 | $1.6 trillion | $1 billion | $45 million | $10 million |

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