

The Top

250

Wealth Advisors *Smart Advice for a Challenging Economy*

With grim economic news dominating headlines this year, it's crunch time for investors. To help them through a perilous economy, *Worth* scoured the country for the best financial advisors. What makes them so good? Read on.

The Top 250 Wealth Advisors

Smart Advice for a Challenging Economy

Has there been any good economic news for Americans in the last 12 months? The markets spiraled downward and real estate imploded. Several of the United States' most revered financial institutions staggered hat-in-hand to the Federal

Reserve or to foreign investors for infusions of business-saving capital. The image of two Bear Stearns hedge fund managers being frog-marched out of a Brooklyn courthouse led nervous investors to question the wisdom of their own hedge fund investments. Meanwhile, a steady stream of positive economic news poured forth from Asia, driving home the notion that the future lies with China and India, not the United States. ☺ The economy is testing the mettle of even the best wealth advisors. In their responses to *Worth's* Top Wealth Advisor Questionnaire for 2008, applicants candidly discussed their investment strategies for the coming months. Some wrote of getting back to the fundamentals, with core and satellite models and safely diverse mutual funds. Others wrote of elaborate efforts to manage their clients' expectations when returns are falling fast. Still oth-

BY DOUGLAS McWHIRTER

ers wrote of a growing suspicion of hedge funds and other illiquid alternative investments. ☺ The best among them, however, offered clear analyses of the macroeconomic conditions giving rise to today's challenges. They detailed strategies for structuring their clients' portfolios and working toward the goals they and their clients established before the markets went south. Rather than hunkering down, they understand why some opportunities have gone sour and others are promising. And they are finding new opportunities: in distressed debt, in obscure Asian equity funds, in foreclosed real estate and energy futures, among others. ☺ This informed, active approach separates the top financial strategists from the merely good. In the following pages we acknowledge those individuals who unearth opportunity and deliver strong returns even in the most trying times.

Freedom of Choice

In a slumping economy, how do you find an investment advisor you can trust to do right by your money?

By going beyond the power of a brand and asking tough questions.

BY JOHN FERRY

FINDING THE RIGHT ADVISOR to manage your assets is never easy. Finding the right advisor to manage your assets when we are living through one of the worst financial crises in modern history is an entirely different matter. For years financial advisors, some of whom were linked to big Wall Street banks, have tried to sell us the idea that they are so smart, that their analytical and technical expertise is so beyond ours, that the best thing we can do to maintain our wealth is to simply trust them entirely.

But the subprime crisis has shown that the bankers, with their ultrasophisticated models and fancy securitization techniques, were not as smart as we, or they, thought they were.

So where does that leave the wary, and possibly bloodied, high-net-worth individual seeking sound advice? What is the key due diligence that must be done when considering a potential new advisor? And can we still have faith that the big banks and broker-dealers can provide us with sage counsel and rock-solid custodian and transaction services?

The issue of the standing of the big

banks raises an immediate paradox. On the one hand, the implosions of Bear Stearns and Lehman Brothers caused near panic, while the performance of much of the rest of Wall Street has been shocking. One *Financial Times* analysis, for example, suggests that Merrill Lynch's losses in the 18 months before the end of August amounted to a quarter of the profits the bank has made in its 37 years as a listed company. The ability of banks to misjudge risk and lose such vast sums understandably makes investors wonder if they can trust these institutions to look after their investments.

On the other hand, the Federal Reserve quickly rescued Bear Stearns from impending bankruptcy. Some would argue that by assuming the risk of Bear Stearns' less liquid assets, giving JPMorgan Chase the confidence to buy the bank, the Fed's actions gave U.S. banks an implicit federal guarantee. That possibility suggests we should not be rushing to pull our money out of investments where a large bank is the counterparty due to credit risk fears. But with former Bear Stearns executives facing criminal charges over allegations they misled investors about the risks involved in the sub

prime market, no one doubts that the reputation of leading banks for propriety and soundness has taken a hit.

“A lot of people had taken comfort in the brand names of their advisors before, but now they’re asking questions,” says Wayne Cooper, chief executive of the Wealth Management Exchange, a Greenwich, Ct.-based company that runs an online “community” for wealthy individuals.

Cooper adds that one of the first mistakes an investor can make is to assume that simply knowing of a firm’s good reputation constitutes due diligence. Not true: Some of the most prestigious Wall Street firms have acquired second-tier brokerage firms and then migrated the acquired company’s stockbrokers—who may be considerably less skilled than those of the acquiring company—into their own wealth management divisions. Just because a firm has a big marketing budget and sponsors golf tournaments doesn’t mean that all its advisors are skilled and looking out for their clients’ interests before their own.

It would be refreshing to hear an advisor say, “I’m as mad as you are about this bank’s investments in risky loans.” But even though he wants to protect his job, an advisor should talk to you about portfolio strategies, not about the greatness of the institution that employs him. Beware an advisor who tries to pitch his services based on his firm’s track record and the amount of assets under its management. “Too much of a sales and growth culture means the client is the last on the list,” says Charlotte Beyer, founder and CEO of the Institute for Private Investors (IPI).

The big players do have their advantages: They have enormous resources, and can afford to pay for top talent, for instance. It’s just that anyone looking for a financial advisor must see past the glamour and the brand for an impartial appraisal of a firm’s

performance. Investors should stick to basic principles when assessing their relationship with their advisors—and one of them is not to panic during market downturns.

Bruce Holley, a senior partner in the New York office of the Boston Consulting Group, which offers wealth management consulting services, says he would not recommend changing advisors based solely on recent bad headlines. “Financial crises like the one we’re going through highlight the flaw of mismatching your financial goals with the investment approach of your

investors stick to their guns, and a good advisor ensures they do that.”

Likewise, some investors might be tempted to dramatically curtail the risk in their portfolios when market volatility increases. But there’s a danger here as well: If everyone else is doing the same thing, investors running with the herd could actually lock in losses. A good advisor will keep your risk and return objectives focused on your original goals; wise investors will back away from a yes-man. After all, an investor is paying an advisor for his advice—not to tell

“Disciplined investors stick to their guns, and a good advisor ensures they do that.”

advisor,” he says. “Investors should be wary of changing horses midcourse. Regardless of the financial cycle, you’ve got to pick someone who understands your financial objectives and your risk-return profile, and can translate that into financial solutions.”

When might you want to reconsider your choice of advisor? If you are a conservative investor but your advisor is constantly trying to get you to invest in the product of the moment. Conversely, if you’re an investor who likes to take chances or can be swayed by the vagaries of the market, it’s important to find an advisor with the strength of character to keep you focused on long-term objectives. “Investors are often tempted to radically change their risk-return profile, especially during bull markets as they seek to drive absolute returns,” Holley says. “They are then surprised when the market dives and their investments tank. Disciplined in-

you why your fleeting impulses are exactly right.

Robert J. Ellis, New York-based senior vice president of wealth management at the consulting firm Celent, says that if he were going through the process of selecting an investment advisor, the first thing he would look at is the profile of the advisor’s clients. “I don’t want to join a firm or go with an advisor who has clients going from mass market all the way up to ultra-high-net-worth,” he explains. “I want to see a targeted client set who look a lot like myself not just in terms of the amount of assets they have, but also how they got that wealth. If there’s a firm out there that specializes in serving entrepreneurs and I got my wealth through stock options from a large public company, then you have to recognize that different skill sets are involved in managing those two things.”

The second thing Ellis would consider is the client-advisor ratio. He says Celent's in-house research suggests that a typical advisor—that's just one individual within an investment firm, not the entire company—has around 400 clients. How much personal attention could one realistically expect from an advisor with 399 other clients? "I would want to see someone who has a book of no more than 100 clients," he says.

But even 100 clients amount to a demanding workload. Say that an advisor meets with each of 100 clients once a quarter, and maybe talks to each on the telephone in the months when he doesn't meet them in person. That amounts to 400 meetings per year and 800 phone calls—and that doesn't even include the time an advisor would set aside for conducting analysis and research, dealing with brokers, trolling for new clients, and so on.

Does that mean it's better to go with a team of advisors than an individual? Ellis says that a team can have its advantages. "Teams have complementary skills, and if there's a team there then there is always someone I can deal with when one of its members is on vacation or traveling or meeting someone else," he says. Nor does the team have to consist of advisors within a single firm; just as you diversify your portfolio, so you can diversify firms.

Whether you pick an individual or a team, your financial reports should be for you alone. Any high-net-worth investor should demand customization of research and recommendations, and even a customized exit strategy when it's time to reallocate.

It's essential to check that advisors are unbiased in their recommendation of investment styles and products—what's known in the industry as "open architecture." Most advisors will claim to operate under open ar-

chitecture, but because no specific regulations prevent the private banking subsidiaries of large banks from selling products originated by their affiliated investment banks or mutual fund businesses, there's incentive for those institutions to push clients into services sold from the parent group's desks. Those services may be expensive, they may underperform and they may be risky; note the billions of dollars in auction-related securities UBS allegedly aggressively marketed to its clients even as UBS insiders sold their personal holdings. When the market for those securities tanked last February, tens of thousands of investors were left holding potentially worthless paper.

In a recent white paper, the Wealth Management Exchange's Cooper and his co-founder colleague, David Beck, identified several blunders that wealthy investors can fall prey to when choosing a new advisor. Many investors fail to track their advisor's performance relative to the rest of the market. "You have to be sure the individual advisor maintains a true track record," Cooper warns. "Many advisors will point to the track record of the underlying managers that they use, but not their own record." This is particularly important if the advisor has management control of your investment account. Under those circumstances, it's appropriate to ask the advisor for an audited written track record.

Other points to consider, according to Cooper and Beck, are:

6 Check your potential advisor's credentials: The highest credentials for wealth management generalists are the Chartered Financial Analyst (CFA) and the Chartered Financial Planner (CFP) qualifications. Other qualifications are Chartered Financial Consultant (ChFC), Chartered Life Underwriter (CLU), Accredited Investment Fiduciary (AIF), Certi-

fied Investment Management Analyst (CIMA), Chartered Alternative Investment Analyst (CAIA) and Accredited Estate Planner (AEP).

6 Check that the advisor has an independent fee system: People who used to call themselves stockbrokers or insurance agents now often refer to themselves as financial advisors or consultants but may still have financial incentives to sell certain products to their clients. Also, advisors sometimes get referral fees.

6 Understand how the fee system works and what a fair fee is:

Fees range from hourly charges to monthly retainers to asset-backed charges, or a combination of the above. They can have a big impact on returns—a one percent fee on a portfolio that yields eight percent is in effect a 12.5 percent tax—so make sure the fee is competitive. Many sophisticated wealthy investors ask for and receive significant discounts on their stock and bond portfolio fees. Some firms charge less than half a percent for overseeing equity portfolios of more than \$10 million, and some don't charge any management fee for bond portfolios, but rather charge small transaction fees for carrying out buy and sell orders.

Once you have your list of items to check with a potential new advisor, how do you come up with people to consider? Some investors will ask a trusted accountant or attorney for recommendations, some will get tips from their peer group, some will contact top private banks or start with a list such as *Worth's* Top 250 Advisors and look for nearby names. There are no set rules on how you develop that narrow list of potentials. However, once you do, keep an open mind and assess your candidates impartially. Your wealth deserves better than the glitz of a name or the prejudices of the headline writers.

10 Questions

to Ask Before Choosing Your Financial Advisor

YOU'VE JUST SOLD YOUR FIRST BUSINESS, received a big infusion of private equity funds or made a personal merger that increased your net worth significantly. However it happened, you're experiencing wealth on a level you haven't before. You need help. To assist those looking at our Top 250 list for their first real relationship with a wealth advisor, *Worth* has come up with the Top 10 questions to ask. The answers will vary—but an advisor's ability to discuss these issues will speak volumes.

1. What do you think is a reasonable, real after-tax return for an investor with an average risk tolerance? For one with a low risk tolerance? How have the portfolios of your existing clients performed since the credit crisis began? Over the past five years?

2. How do you find the best deal on insurance? Do your brokers deal with a number of insurance companies, or do they tend to do business with only one? How often should I put my insurance business out to bid?

3. What did you advise your clients to do as the credit crunch unfolded? At what point—if ever—did you recommend that they modify their portfolios? How have you positioned them to withstand further deterioration in the financial sector and in consumer credit?

4. What should I do with my real estate holdings? With many luxury home developments hitting the skids—or actually going bankrupt—is there any way to hedge my exposure

to the downturn in the high-end real estate market? Should I try, or is this futile? Is there anything I can do with my currently underwater properties to staunch the bleeding?

5. What's your view on inflation? What would be the consequences for me of a resurgence of asset-price or consumer-price inflation? How do I hedge my portfolio against such an eventuality?

6. Who should be my main point of contact among my financial, legal and accounting advisors? Will you coordinate with my lawyers and accountants, or do I need to make three calls when I only want to make one?

7. How should I manage the investment aspects of my art collection? Prices of contemporary art continue to rise due to the profusion of overseas buyers flocking to New York and London, but that could quickly come to an end if the global economy slows or the commodity boom falters. Is there any way to hedge or

otherwise tweak my portfolio of art to guard against such an eventuality?

8. Private bankers are being tossed in jail and their firms' reputations battered for mis-selling products to wealthy clients. Auction rate securities, in particular, have proven to be time bombs. How will you assure me that the investments you recommend are appropriate? Do you receive any compensation from the banks that structure or originate those investments?

9. What's your view on the commodities bubble? Is \$100-plus-per-barrel oil sustainable? Do you think it is driven by demand or speculation? If it persists—or worsens—how will that affect the economy and my investment opportunities?

10. Should I hedge my concentrated stock positions? My exposure to my own company? Is there any way to do so on a tax-efficient basis that doesn't attract too much attention from the Internal Revenue Service?



The Top 250 Methodology

THOSE FAMILIAR WITH Worth's annual Top Wealth Advisor issue will notice that this year's list has grown in size. For the past four years, we have identified the advisors whose dedication and expertise place them at the pinnacle of their profession. In each of those years, the task of choosing the 100 advisors to be recognized grew increasingly difficult because the number of deserving entrants escalated. This year, Worth received almost twice as many submissions as in 2007, driving competition for 100 winning slots to new extremes. Furthermore, the quality of individual responses to Worth's Advisor Questionnaire was higher than ever.

So in reviewing this year's submissions, the editorial team charged with selecting this year's winners realized that to fairly reflect the geographic diversity and professional

excellence of the wealth advisory industry, the list had to grow. And so it has—to 250.

While the number of wealth advisors on the list has changed, the methodology Worth editors use to select them has not. The process begins with an invitation to our readers to nominate those advisors who represent the absolute best of their profession. We also solicit nominations from banks, wealth management and investment firms, and industry associations. Nominated advisors and others who wish to participate then complete a detailed online questionnaire in which they provide their educational and professional credentials and discuss their approaches to customer service, portfolio management, and risk.

Based on the quality of these responses, and on each applicant's insights into the

current investment climate, Worth editors make the selections. Those advisors who take the time and space to fully explain a strategy or an opinion typically do well. We assume that they communicate in a similarly clear, thorough fashion with their clients. Those who demonstrate a nuanced understanding of the global markets, alternative investments and the current economic climate also score well. Following the completion of a preliminary list, the final step involves confirming, to the extent possible, that the information the advisors provided is accurate and truthful.

In the end, we feel confident in our choices. Those listed in the previous pages impress us with their expertise, dedication and enthusiasm. They are Worth's Top 250 Wealth Advisors for 2008. —DM

STATE	FIRM, CITY	PHONE	FIRM ASSETS	LARGEST CLIENT'S NET WORTH	MEDIAN CLIENT NET WORTH	MINIMUM ASSETS FOR NEW CLIENT
Kentucky						
Dean Donohue, CFP	Ameriprise Financial, Louisville	502.412.4050	\$480 billion	\$8 million	\$2.5 million	\$0.1 million
Louisiana						
Kevin F. Knobloch	JPMorgan, Baton Rouge	225.332.3130	\$1.6 trillion	\$120 million	\$8 million	\$2 million
Michael Zabalaoui, CPA, MS, CFP, PFS	Resource Management, Metairie	504.833.5378	\$640 million	\$25 million	\$5 million	\$1 million
Maryland						
Saxon Birdsong, MBA	Baltimore-Washington Financial Advisors, Columbia	888.461.3900	\$200 million	\$10 million	\$1.5 million	\$0.5 million
Gregory Hurlbrink, CFP	Citi Family Office, Baltimore	410.736.5316	\$1.7 trillion	\$500 million	\$3 million	\$1 million
Robert I. Jeffrey	Smith Barney, Baltimore	410.736.5332	\$1.7 trillion	\$40 million	\$5 million	\$1 million
Howard Weiss, MBA, CFP	U.S. Trust, BofA Private Wealth Mgmt., Baltimore	410.547.4771	\$225 billion	\$930 million	\$175 million	\$25 million
Massachusetts						
Glenn Frank, MBA, CPA, MS, CFP, PFS, MST	Wachovia Wealth Management, Waltham	781.392.2821	\$259 billion	\$68 million	\$7.8 million	\$4 million
Cary Geller, CPA, CFP, PFS	Mintz Levin Financial Advisors, Boston	617.348.1823	\$1.2 billion	\$50 million	\$6 million	\$1 million
Lawrence Glazer	Mayflower Advisors, Boston	617.259.1767	\$225 million	\$30 million	\$2.5 million	\$0.25 million
Andrew Kirschen, JD, LL.M., CIMA	WTAC, Boston	617.302.8403	\$1.2 billion	\$50 million	\$10 million	\$2 million
Michael Tucci, MBA, CPA, CIMA	Lexington Wealth Management, Lexington	781.860.7745	\$250 million	\$35 million	\$8 million	\$2 million
Michael Nathanson, JD, LLM	The Colony Group, Boston	617.723.8200	\$1.2 billion	\$130 million	\$8 million	\$5 million
Kristine Porcaro	Lexington Wealth Management, Lexington	781.860.7745	\$247 million	\$5 million	\$3.5 million	\$2 million
Kristine Porcaro	Lexington Wealth Management, Lexington	781.860.7745	\$247 million	\$5 million	\$3.5 million	\$2 million
Michael Tucci, MBA, CPA, CIMA	Lexington Wealth Management, Lexington	781.860.7745	\$250 million	\$35 million	\$8 million	\$2 million