MY MONEY MANAGER—OR ME?

Come Along As a Financial Expert Looks for a Financial Adviser to Help Her Invest Her Dough

By Patricia Schiff Estess

When people find out that I was the editor of a personal-finance magazine and that I write about money frequently, they'll usually start peppering me with investment questions. And if I'm with my husband when professional revelations are made, and they find out that he worked on Wall Street for 25 years before becoming an executive director of a social-service agency, then people swarm around both of us with questions. We become the Ken and Daria Dolan of the social gathering.

The Dolans, who've written a number of personal-finance books and host a syndicated radio show, are known as "American's first family of finance." But we're frauds. We don't know any more about what to invest in than any other person who reads the business section of a newspaper or watches *Lou Dobbs' Money Report* occasionally.

That's why, when we put our Manhattan loft on the market six months ago, we panicked. We figured we'd be getting a large sum of money, and we didn't know what to do with it.

The only thing our professional lives had taught us about financial advisers was to be cynical. I've listened to financial planners spout ridiculous generic advice, like: "If you're 40 years old, you should have 60 percent of your assets in stocks and 40 percent in bonds." (As though people haven't even heard of making money in real estate!) I've heard money managers assert their skills at outperforming the market. (Give me a break! How did you really do in the past few years?) And I've been bombarded with calls from stockbrokers touting some incredible offering. (I know, beyond a shadow of a doubt, that the only reason for the call is that business is slow, and they're trying to meet their mortgage payments.)

'I don't know what the market is going to do tomorrow,' one financial adviser I interviewed admitted. (Wow, that was refreshing.)

Photo courtesy of Patricia Schiff Estess

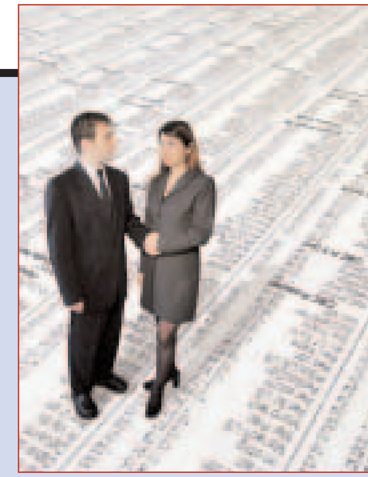
Before the windfall: The author with her husband and grandkids in her New York loft.

So my husband and I waffled. Despite how busy and interested in other things we are, we wondered, should we learn all we can about specific investments and make decisions ourselves? Or should we actually look for someone to help us?

We made some feeble attempts to find "the" right person. We called our broker, a long-time acquaintance, and asked her for suggestions on what we might do with the money, once we had it. Never got a call back. Her nonchalance made me rethink my skepticism. Maybe brokers really aren't interested in commissions . . . or maybe we were asking too much of her. We called to make an appointment with a fee-only financial planner, who told us that the initial consultation would cost us $300. (A turn-off if I ever heard one. Who pays someone before they're hired? It never happened to me.) On a recommendation from a friend, we spoke to a so-called financial planner (whose firm calls all of its associates financial planners), filled out a client profile and received a

WHEN YOU WANT HELP WITH YOUR MONEY:

What to Look for in a Financial Adviser



You don't need to have more money than you know what to do with to be able to benefit from the services of a financial planner. A good financial adviser will listen to your hopes for the future, help you set goals, and suggest strategies that will allow you to achieve those goals. The best financial advisers help their clients make the most of the money they have so that they end up with more—or at least enough. Visit the Web site of the National Association of Personal Financial Advisers (www.napfa.org) to locate one near you. If you're thinking of hiring an adviser, seek out one who . . .

- Has at least a two-hour initial meeting with you.
- Meets with you face to face at least once a year—more often in the first year of your relationship or when you're going through one of life's difficult transitions.
- Listens as well or better than he or she speaks.
- Has an understanding of and sensitivity to your stated needs and dreams.
- Has an ability to coalesce strategies around those needs and goals.
- Has a program to keep you on the course you set for yourself and will help you revise plans when the need arises.
- Will provide you with handouts, reading materials, checklists, and e-mail updates that are understandable and relevant to your situation.
- Has a system to help you organize all your financial and legal paperwork.
- Works with people with similar incomes and net worth.
- Fully discloses what the fees or commissions are and what services are being provided.
- Will work collaboratively with your other financial advisers, such as your accountant or insurance broker.
- Has bona fide credentials, such as CFP (certified financial planner), though the letters don't ensure honesty or even knowledge. (They say merely that the person has had the interest and taken the time to learn more about money management.)
- Has an appreciation of your uniqueness—for you are unique!

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Photo by istockphoto.com/Lise Gagne

printout of boilerplate information and recommendations on investments, diversity, and taxes. (Naturally, this truly unuseful tome was followed by umpteen calls at dinnertime, soliciting our account.)

Could She Be 'The One?'

Forget it, we decided. We're proceeding on our own, however feeble our attempt. Then, quite unexpectedly, a financial adviser I had met a couple of years before, when she and her mother were considering writing a book on the finances of divorce, called. I remembered our meeting well. They had asked me to come in to discuss the book with them. We had had a wonderful exchange of ideas, but nothing came of it. The book was never written. Now Michelle Smith, the daughter, wanted to talk to me about another writing project.

I'm happy owning solid stocks of companies that make things that don't tax my technophobic brain. I 'get' Scotch tape. I don't get metals futures. And I turn off when someone talks about 'technical indicators.'

So I met her in her office and we talked and talked—about money and life. About relationships, children, and aging parents. About how the brain takes a vacation when people go through an emotional transition, such as divorce, marriage, or the loss of a loved one. About how a good financial adviser is part psychologist, part financial guru. About people's (especially women's) general lack of knowledge in the area of finances and the good reasons why that's so. We talked a little about markets, economics and investments—but very little.

"I don't know what the market is going to do tomorrow," she admitted. (Wow, that was refreshing.) And not once did she present the analyst's doubletalk of "on one hand" and "on the other hand." Best of all, she wasn't trying to sell me on herself. She didn't even know I was in a buying frame of mind.

I came home after our third "writing-idea" session and suggested to my husband that maybe he should meet Michelle. Perhaps, just perhaps, she might be a good person to help us manage our money. Even more cynical than I, he railed at the idea. I suspect, though he would be loath to admit it, that part of his resistance had to do with her being a woman. Not that he's a chauvinist in any way, but I think the impression that was etched in his mind when he left Wall Street 18 years ago was "woman equals assistant."

So before I did anything rash, I spoke to a couple of people who were using Michelle as their financial adviser. Both of them are men, and both are financially savvy (one had a background in investment banking).

"She really is my personal CFO," the investment banker said. "She is knowledgeable about the market, sees the big picture, and, best of all, she listens to my concerns and my goals and shapes a strategy around those."

"Never underestimate the importance of emotional understanding," the other said. "You can't talk about stocks and bonds outside the context of life."

EMOTIONAL IQ: Telltale Signs that Your Financial Adviser Isn't for You

Dump your present adviser if you are made to feel . . .

- ***Stupid***, because something you suggested was dismissed out of hand.
- ***Pressured*** into following his or her advice.
- ***Uncomfortable***, because you don't really understand the terms or strategies that are being suggested . . . and you're afraid to keep asking for explanations.
- ***Unimportant***, because your adviser interrupts your meetings by taking phone calls.
- ***Unsure*** about how much you're being charged in the way of fees or commission—even after you've asked.
- ***Disquieted***, because you only know your adviser from phone chats and e-mails.
- ***Angry***, because your adviser is making more money by giving advice than you are by receiving it.

HOW MUCH DO THEY COST?

Financial advisers are generally paid in one of three ways: Commissions, money-management fees, or flat fees.

Commissions are the fees paid for executing a securities trade.

Money-management fees are different. You don't pay anything for individual trades; instead, you pay the adviser a percentage of the assets under management. For instance, you might pay an adviser 1.25 percent to manage a portfolio under one million dollars and 1 percent for one valued at more than a million.

Other advisers negotiate a flat fee (say $700 per year) to cover their services for a specified period of time.

In any case, you should request that they disclose whether they receive commissions from financial companies for selling certain products or shares in certain funds.

Based on these testimonials, I set up a meeting with my husband and Michelle, so the three of us could talk about the possibility, and the possibility only, of her becoming our financial adviser. We'd both have to trust her if we were going to sign on. During that meeting, Michelle asked lots of questions, talked a little (but in a rapid-fire manner, so you had to stay awake or you'd miss something), and listened intently. We spent at least an hour of the two we were there talking about life, our kids, our plans for the next year, and what we were hoping for in the future.

She had a few suggestions that had nothing to do with investing, such as the possibility of setting up a special-needs trust (one that provides money from your estate for a person with special needs without disqualifying that person—generally your child—from government support).

She also suggested we check out the stability of the company holding our long-term care insurance, since some companies were canceling this unprofitable (for them) coverage. She told us about funds she liked better than traditional mutual funds, called I-shares (index funds specializing in different segments of the market, and carrying lower fees than traditional mutual funds), something neither of us had ever heard about.

And we talked about ways to protect assets, while increasing the return on investments, such as writing covered calls and coupling that with a stop-limit order. (How that works is that for each 100 shares of stock you own, you can sell—write—a call option that allows someone else to buy your stock at a specific price—the striking price—over a specific period of time. The premium you receive from this option sale increases your income and gives you added protection should the stock drop. A stop-limit order is a standing order to sell a stock when it reaches a certain price.)

To be honest, very little of this technical stuff holds my interest. I understand it just enough to know it makes a degree of sense. But I'm not hot on active management of my stock portfolio. For the most part, I'm happy owning solid stocks of companies that make things that don't tax my technophobic brain, companies like Colgate or 3M, and holding them forever. I "get" the concepts of toothpaste and Scotch tape. I don't get metals futures or iPods. And I really turn off when someone talks about "technical indicators."

My husband, though, had his interest in the market piqued for the first time in years. He and Michelle bandied terms and concepts around, while I focused on the pictures of her family on the credenza, wondering what her husband was like and how influential her mother must have been in getting her interested in this field.

She 'Gets' Us . . . And Our Business

"What did you think?" I asked my husband, just steps after we left her office. "She seems knowledgeable enough," he agreed. "And I think she homed in on who we were and what is important to us. Okay," he conceded, "let's try it." Then his skepticism surfaced. "I just want to make certain she doesn't have free rein to do anything she'd like. And we'd better come out ahead, after she takes her annual fee."

That was three months ago. In the interim, Michelle and I have exchanged umpteen e-mails, mainly dealing with developing a written statement, detailing our expectations of her—everything from outperforming the market to being able to get in touch with her when we need to talk. We had another two-hour meeting to solidify our goals and develop an investment plan for the year. She has called four or five times to talk about a specific investment and why she thinks it would fit nicely into our plan. But she's never pressured me. It's never: "We'd better do this now, or we'll lose out on a good thing." I spent one hour with Michelle's incredibly organized and patient assistant, who walked me through all the benefits of our new account—free checking, a free safe-deposit box, and free ATM usage anywhere. While I love all the benefits I never had before, I wonder why people with significant accounts get perks (which they can afford to pony up for), while people with less money have to pay for these things. Doesn't seem quite fair to me.

My gut tells me this was a good move and that we're going to have a successful long-term relationship. But I'm reserving judgment. Three weeks after Michelle made our first investment, the Dow fell 300-plus points and the Nasdaq dropped below 1950. Still, it's early in the game, and I don't have a year's worth of data from which to assess our money manager's skills. Though still cautious, I've become less cynical. Maybe, just maybe, we've lucked upon an honest, intelligent, sensitive financial adviser, who doesn't promise the world but delivers more financial savvy than two supposed experts are interested in having. I'll keep you posted. □

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The former editor of Sylvia Porter's Personal Finance *magazine, Patricia Schiff Estess is the author of "Money Advice for Your Successful Remarriage" and "Kids, Money & Values." She has written extensively on family and financial matters for many magazines, including* Reader's Digest's New Choices, Family Money *and* Entrepreneur.