

HELP WANTED

MARCH 2007

Wanted: “A young man or woman with the potential to manage a very large portfolio.”

The ideal candidate must be someone genetically programmed to recognize and avoid serious risks, including those never before encountered. Other key requirements: Independent thinking, emotional stability, and a key understanding of both human and institutional behavior.

Hiring a financial advisor is one of the most important hiring decisions that you are going to make. This decision for all intensive purposes is a make or break time for an individual's goals and dreams. A poor choice can set retirement back years; make college funding thorny, and yield a life with unwanted and unnecessary stress. The “*Help Wanted*” advertisement above was actually placed by an investor this past month. That investor was none other than Warren Buffet. Mr. Buffet, the 76-year old chairman of Berkshire Hathaway, placed this notice in his annual letter to shareholders.

The “*Help Wanted*” notice placed by one of the world's most celebrated investors struck me in its simplicity and how applicable it is to every investor, no matter what the size or situation. Berkshire Hathaway was not built overnight. Using investment strategies taught to him by Benjamin Graham, Warren Buffet built BRK through old fashioned time, work and effort. His strategy of managing and limiting risks by finding value did not result in large short-term gains. His approach to buying value is an approach that investors should heed. No matter what the size of a portfolio or what stage an individual has reached in life, all investors need an advisor that will keep his or her eyes on risk. Contrary to conventional wisdom, investing is not just about return. It is about managing risk.

This past month there was an extraordinary amount of volatility in the financial markets. The chattering classes rushed to the microphone or nearest television camera to give us their take on to why the markets were going up, down, or sideways (Which is about as useful as a meteorologist giving you yesterday's weather report). Like fine Swiss clockwork, my phone started to ring off the hook from program directors looking to give their listeners answers as to why the *sky was falling*. Chinese government intervention, retail sales, the subprime lending market, geo-political concerns, Al Gore winning an *Oscar*, and the Yen Carry Trade were some of the explanations being given by the so-called experts. I happen to agree with some of their assessments. However, what good does that information do for investors after the fact?

The first remark I made on every show that I appeared on was simply “*How did you sleep last night?*” My point being that, if a decision made by the Chinese government to implement a capital gains tax, the Yen Carry Trade unwinding, or Al Gore becoming the Pope of the *Church of Mother Earth* sends your portfolio and future into a death spiral, you need to change strategy fast. If you have a sound financial plan in play, a 500 point drop in the Dow would be viewed instead as an opportunity rather than a car crash. Do you think Warren Buffet was sitting on his computer trading in and out of positions while this was all unfolding? The press coverage of this past months 3.3% correction was a call to tune in, watch us; we will tell you what to do. The reality is after the fact. Nothing can be done, kind of like carrying an umbrella because it rained yesterday.

“Over time, markets will do extraordinary, even bizarre, things.”

Warren Buffet

Reacting to short-term market fluctuations and dips is a sure-fire way to trouble. Investors need to look foreword; not in a crystal ball, Ms. Cleo, “*I can time the market's manner,*” but with the

understanding that unforeseen situations will occur. How do I manage my risk? How do I protect my goals? Investors need to have the right asset-allocation mix that is engineered to fit their own personal needs, not what the expert of the day is telling them to do.

If you are one of the many individuals that has been trouble sleeping, my advice is to use the market corrections as a wake-up call, a call to arms to rebalance your asset allocation mix, manage your risk, and get your financial house in order. Even investors, whose portfolios have performed well over time, often ignore risk that can build. For example: If your portfolio has a 70/30 stocks to bonds asset mix, and due to market conditions your mix changes to 80/20, you need to rebalance. Portfolios are not rotisserie ovens sold on late night television. You **DO NOT set it and forget it.**

We advise individuals to set the highest standards when it comes to hiring a financial planner. Factors not to be considered when hiring should not be his or her golf handicap, what automobile he or she drives, or the cost of the dinner that he or she **“treated”** you to. Side note: I find it ironic when people get so enamored with the **“free stuff”** firms and banks give or do to woo clients. **“My broker takes me golfing and out to dinner!”** The economic reality is you took him out to golf and dinner. It was paid for by your commissions and fees. You want an advisor to act as fiduciary on behalf of your goals and dreams, not someone that is there to show you a good time. Use Warren Buffet's **“Help Wanted”** as a starting point in your search. Another excellent guide was put together by the Certified Financial Planner Board of Standards entitled, “Checklist for Interviewing a Financial Planner”...

1. **Do you have experience in providing advice on: Retirement Planning, Investment Planning, Tax Planning, Estate Planning, Insurance Planning, Integrated Planning?**
2. **What are your areas of specialization?**
3. **What qualifies you in this field?**
4. **How long have you been offering Financial Planning advice to clients?**
5. **How many clients do you currently have?**
6. **Describe your work history?**
7. **What are your educational qualifications?**
8. **Give your area of study: Certificate, Undergraduate degree, Advanced degree?**
9. **What financial planning designations do you hold: CFP, CPA, ChFC?**
10. **What financial planning continuing education requirements do you fulfill?**
11. **What licenses do you hold: Insurance, Securities, CPA, J.D.?**
12. **Are you personally licensed or registered as an investment advisor representative with a state(s), if no, why not?**
13. **Are you or your firm licensed or registered as an investment adviser with the state(s), federal government? If no, why not?**
14. **Will you provide me with your disclosure document Form ADV Part II or its state equivalent? If no, why not?**
15. **What services do you offer?**
16. **Describe your approach to financial planning?**
17. **Who will work with me?**
18. **Will the same individual(s) review my financial situation?**
19. **How are you paid for you services?**
20. **What do you typically charge?**
21. **Do you have a business affiliation with any company whose products or services you are recommending? Explain?**
22. **Is any of your compensation based on selling products? Explain?**
23. **Do professionals and sales agents whom you may refer to me, send business, fees or any other benefits to you?**
24. **Do you have an affiliation with a broker/dealer?**
25. **Are you an owner of, or connected with, any other company whose services or products I will use? Explain?**
26. **Do you provide a written client engagement agreement? If no, why not?**

I know I am being a nag, but I cannot stress the importance of hiring a competent financial planner. Bad choices can end up with portfolios that end up looking like Walter Donovan after drinking from the wrong Grail in *Indiana Jones and the Last Crusade*. You don't want your portfolio disintegrating into dust, do you? Heed the Grail Knight's and Watchdog's advice and "choose wisely."