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the wealth factor

Successful Financial Advisors Share Their Thoughts On
Financial Planning • Wealth Management • Client Relationship

Sydney LeBlanc • Lyn Fisher

introduction

The True Mark of Excellence

When we decided to take on the task of identifying the financial professionals to feature in *The Wealth Factor*, we thought it would be an easy task. After all, there are over 500,000 registered and licensed financial advisors in the United States, and all we had to do was pick a few, check out their credentials, get their views on various subjects, and a 200-page volume would emerge.

Instead, the challenge of narrowing down our choices to a select few turned out to be a daunting responsibility, but one that we believe reflects the truth about hard-working, ethical, and competent financial advisors in the financial services industry today. Highlighting those we believe to be some of the “Best and the Brightest” financial planners, financial advisors, and investment management consultants will help bring them to the attention of investors like you and the mainstream media to give them the recognition they deserve.

This group of 10 advisors is representative of an elite number of financial professionals that continues to grow in the investment industry. Many times, the most successful individuals are not the most visible. In other words, they are not publicity hounds, do not seek out media attention, and, therefore, are not visible to the public. Instead, these types of professionals spend their energies on what they love—helping people realize their goals and dreams by orchestrating, implementing, and protecting their clients’ financial futures.

With our combined 40 years of journalistic experience working within the financial services arena, mostly in banking and securities, our perspective and knowledge is a result of interviewing literally thousands of industry professionals for newspapers, magazines, and books. What we have learned could fill more volumes than contained in the *World Book Encyclopedia*. But what we have chosen to pass on to you is a rare sampling of advisors who are talented and accomplished in their careers, and who continue to educate themselves in order to provide excellence in service and investment solutions.

The Wealth Factor contains a cross-section of financial expertise. Some refer to themselves as financial planners, life planners, or wealth managers, while others prefer the title of financial advisor. Several hold designations that qualify them to be investment management consultants, others are chartered financial consultants or analysts. Most are certified financial planners, and some are certified public accountants. And while all of the many titles and descriptions may be confusing, they all stand for the same thing: the desire to be the best they can be in terms of skill and professionalism. This translates into a competent professional with whom you can entrust your assets.

Trust is a carefully guarded and precious commodity in today's times. Especially in light of the recent wrong-doing and questionable antics of a few individuals on Wall Street and in corporate America that has created skepticism in the investing public. And the bad light was magnified so much that it overshadowed much of the good work done by the overwhelming majority of gifted and exceptional advisors and, as a result, their contributions were overlooked by the mainstream media.

That's why we wanted to produce this book—to present to new and experienced investors the core beliefs, philosophies, investment processes, and thoughts on investing from some of the country's most articulate and distinguished financial professionals. The value these individuals provide their clients cannot be measured simply in terms of hard dollars. Their financial guidance and expert advice, in fact, is priceless if you ultimately achieve your hopes and dreams of a lifetime. That's what these remarkable individuals have been trained to do, and what's more, they tell us that the attainment of your goals makes their lives more meaningful as a result.

We are happy to present through the pages of *The Wealth Factor* our picks for the most outstanding advisors of the year. We hope you find them as extraordinary as we do.

Sydney LeBlanc

Lyn Fisher

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Karen Ramsey, CFP®
Ramsey & Associates, Inc
Seattle, Washington

- **A Caring Approach to Financial Planning**

Karen Ramsey and her firm, Ramsey & Associates, follow the rule of treating their clients the way they would want to be treated. Not only does Karen practice what she preaches, she also practices what she ‘teaches.’ Chosen by *Mutual Funds* magazine as one of the “100 Great Financial Planners for 2002,” Karen is dedicated to client education through her own practice, as well as through her workshop, “Caring for Your Soul in Matters of Money®.” This workshop focuses on helping individuals understand what shaped their attitudes about money in early childhood.

Karen learned the value of hard work, as well as the value of an education, while growing up on a farm in Colorado. She shares the events that led her to helping people with their financial futures, and to her successful financial planning career. Says Karen, “I grew up in a poor, but happy family where we didn’t talk about stocks and bonds and mutual funds at our dinner table. So, after I put myself through college and went into the workplace, I noticed a lot of talk about investments. Even though I was a business major, I didn’t know what they were really talking about, so I thought I better figure this stuff out.”

And that’s what she did. While working in Human Resources, Karen aspired to learn everything she could about the financial planning world.

Initially arising from a desire to educate herself, she soon realized that she loved the subject and, coupled with her love of helping people, was determined to launch a new career as a professional financial planner. Says Karen, “I took courses through the College for Financial Planning and the more courses I took, the more excited I became about the new career possibilities. My work in Human Resources was growing more restrictive because of the new laws being passed on what you could and could not say or ask prospective employees. It got so that I couldn’t even ask what their spouse did for a living. It was ridiculous. I love talking and relating to people and I could barely have a decent conversation with them without worrying about discrimination of some sort.”

Karen discusses the fact that she is also blessed with a rational and systematic thinking process, and those qualities, along with her desire to interact with people and discuss their dreams and goals, are the perfect blend for the financial planning profession. Explains Karen, “I have an analytical mind that loves to figure out how to make something work financially. Being a financial planner is the perfect combination of meeting people and determining the best possible solutions to attain their financial goals and have their dreams come true.”

Fee-Only and Proud of It

Karen is proud of the fact that Seattle, Washington-based Ramsey & Associates is a fee-only financial planning practice. “I felt there was a potential conflict of interest in recommending products to investors and receiving commissions. I want my clients to know that the solutions I offer are tailored to their needs and I am not providing them to receive a commission.” She relates a story about the fee versus commission debate while studying for her CERTIFIED FINANCIAL PLANNER™ (CFP) designation, and how she came to the conclusion that she wanted to distance herself from commission business:

“One of the college courses was being taught by a commission-based planner. In the middle of class one day, he pointed his finger at us and said, ‘You will never make it as a fee-only financial planner.’ It was one of those moments when you look around the room to see if anybody else is going to catch your eye and question, ‘What is this guy talking about?’ I kept thinking to myself, ‘If I were seeking a financial planner, what would I want?’ I would want to know that the planner doesn’t have any vested interests, and that they are looking out for me. I wouldn’t want to be concerned that they’re recommending something simply because they’re receiving a commission. I would want to

know that if they tell me I need insurance, it's because I really need insurance. I already knew I wanted to be fee-only, and now here is this guy daring me not to. And so, at that precise moment, I thought to myself, 'Oh yeah, watch this. Don't tell me I can't, I'll show you.'"

That level of determination and conviction led Karen to hire a career consultant to help her develop a business plan and marketing strategy. Three months later, armed with her CFP® designation, she hung her shingle, Ramsey & Associates. "I decided that I was going to do my business my way. I grabbed my Rolodex and sat on the edge of my bed that first morning and started calling everyone I knew to announce my new firm. I asked them to refer individuals to me who had financial planning needs. That was my first day on the job. A year-and-a-half later, I hired my first employee."

A Highly Ethical Approach

Right on course with her love for teaching and interacting with others, Karen began doing educational seminars on financial planning for the employees at the *Seattle Times*. "I love to give presentations and I enjoy explaining to people what might appear to be a complicated concept of financial planning in ways they can understand and grasp." She chuckles when she recalls the conversation with the head of Human Resources at the newspaper. "The HR director asked me what I was going to sell the employees, and I said 'nothing.' She found that hard to believe. I told her I just wanted to teach. I did about four seminars a month for a number of years at the *Times* as well as other large corporations in the Seattle area, and it worked out great for our firm as well as for the employees of those firms."

Karen built her firm on the premise of "treat your clients the way you would want to be treated." She refuses to cold-call potential clients because she would not do business with anyone who cold-called her. She also enjoys the referrals she receives from happy clients. Karen explains, "The majority of our clients are baby boomers in the wealth-building phase. Over time, I noticed the people I enjoyed working with most were the ones closer to my age, those who had the same kinds of issues in their lives—buying a bigger house, figuring out how they were going to pay for their kids' college, and/or saving for retirement. That's what I'm focused on, and those are the kinds of people I relate to best, and who relate best to me. I realized we are all wealth-building. We're all working toward that magical day when we can work if we *want* to, as opposed to working because we *have* to."

She goes on to say that she invests in the same kinds of investments that she recommends to clients. This goes back to her ‘practicing what she preaches’ philosophy. “I apply the same principles to my own investment program. People want to know that you are using the same philosophical premises with your own financial future.”

Sound Advice for Challenging Times

Ramsey & Associates has another unique set of clients and strategies in which they specialize. Says Karen, “Since we live in a city with several major corporations that give their employees stock options, many employees have portfolios comprised of concentrated positions in the company stock. One of our specialties is diversifying employees out of concentrated portfolios in their company stock. We have a lot of Microsoft clients, and others who work for Starbucks, and Amazon, for example.”

Karen shares that it is easier now to educate individuals about the pros and cons of company stock concentration because of recent examples of corporate malfeasance and the bursting of the stock market bubble. “It used to be difficult to convince a Microsoft employee, for instance, to diversify their options—because the stock was going up 60% a year, every year, for a while. But since we’ve seen the very public corporate wrongdoings and companies’ stocks going down instead of perpetually up, many say okay, now they understand. Interestingly, though, even if they understand intellectually, they sometimes have a hard time giving up their emotional attachment to the stock,” she says.

When asked what other services or types of investment products her firm sells, Karen is quick to clarify that her firm does not “sell” products. “We ‘recommend’ certain appropriate vehicles, like no-load mutual funds, for example, but saying we ‘sell’ them would imply that we are commission-based financial planners, which we are not.”

Karen explains her firm’s process of completing a financial plan for a new client. “When a client comes in, the first meeting is devoted to data gathering. They complete a risk-tolerance questionnaire, and most importantly, we ask them what their goals and dreams are. We need to know what their goals are—early retirement, traveling around the world, a second home, putting kids through Harvard—what we are working toward, and then we can determine the best ways to make it happen.”

She goes on to say, “Part of what we do requires a lot of ‘retirement projections,’ which show how different scenarios play out by using spreadsheets. The spreadsheets show where you are, how much you have saved, and where you want to go. It helps calculate what it will take in terms of additional saving, or what can be spent in retirement to make the plan work. We do numerous projections based on the individual clients’ scenario, as opposed to retirement projection software that has only a few inputs that your data must fit into. Our spreadsheets are comprehensive because we have a lot of underlying spreadsheets that model the overall scenario. Whatever scenario a client provides, we will model it so they can see everything in practical and real-life terms.”

As far as expectations are concerned, how does Ramsey & Associates deal with clients who are nearing retirement and have unrealistic expectations? Karen discusses their philosophy and strategies in detail: “First of all, we never promise unrealistic returns. In the retirement projections, for example, we use a conservative rate of return between 7 and 8%. Some planners will use over 10%. You can’t use that if you put bonds in a portfolio. I don’t believe the heydays of the market returning more than 20% are going to be with us for a while. Therefore, we have to lower the rate of return. We also use an inflation rate of 4.5%. We do long-term averages we believe are conservative. We use a higher rate of inflation and a lower rate of return so that clients don’t think their portfolio is going to grow to an unrealistic amount 10 or 20 years down the road. If a client says, ‘I’ve got \$300,000, I want to retire in five years, and I want to spend \$90,000 per year,’ I may say, ‘I don’t know exactly what the retirement projection is going to tell us, but you may have to work a bit longer or reduce your expenses in retirement.’ Once the client knows what the retirement projection is, they can do something about it—as opposed to not knowing, which will keep them in a state of ignorance or paralysis.”

SMA for High Net Worth Clients

Investment management also is an integral part of an overall financial plan. Says Karen, “Whether clients come in with a portfolio they need repositioned, or they come in with cash from exercised stock options, we can assist them. Often we help clients determine a stock option exercising strategy well in advance of when the options will actually expire. This way they have time to evaluate which option is right for them given their situation.”

In addition to helping with stock options, Ramsey & Associates

searches for and evaluates appropriate independent separate account managers and/or mutual funds for clients. “For the bond portion of a client’s portfolio, individual bonds are purchased to create a bond ladder,” Karen explains. “As far as investment solutions are concerned, for a smaller client, say, one with \$30,000 in an IRA, we would recommend mutual funds. Our preferred investment vehicle for equities is a separately managed account (SMA) with a blend of separate account managers for clients with portfolios of at least \$650,000. Since most separate account managers have a minimum investment of \$100,000, to ensure adequate diversification using separate account managers, the portfolio needs to be of this size.”

Karen says that, for larger portfolios, the following points are significant advantages to the SMA structure as compared to mutual funds:

1. *Securities are held in an individual account.* Investors enjoy direct ownership of companies, rather than ownership of shares in a fund.
2. *Greater control.* Investors have the ability to customize their portfolio to suit their needs and objectives. Specific stocks and/or sectors can be excluded at the investor’s request.
3. *Tax efficiency.* Investors control what they want to realize as capital gains, allowing them to better manage gains and losses.
4. *Greater insight into the holdings of the portfolio.* Transparency permits investors to always know what they own in the portfolio. This is unlike a mutual fund, where holdings are published semi-annually.
5. *Greater accessibility to money manager.* A dedicated, responsive team of investment professionals responds to requests and questions.
6. *Greater confidence in investment decisions.* Due-diligence provides extensive on-going monitoring of manager(s) to provide the type and quality of management they have in the past.

Karen continues, “I wanted to offer SMAs in the second year of my practice when I learned about them. But the minimum investment required back then was \$2 million and up. I now have access to the highest quality separate account managers in the country with minimums of \$100,000.

“The fee for a separately managed account is about the same as the expenses charged by a mutual fund. When you add the advantage of

being able to screen out certain stocks as well as control the tax consequences, it is a wonderful new investing option we are very pleased we can make available for our clients,” says Karen.

Karen goes on to explain that first, in order to establish an SMA, clients complete a risk-tolerance questionnaire. Based on the client’s answers, a target asset allocation is developed. Then separate account managers are selected based on the target asset allocation. Once the separate account managers are selected, they purchase individual stocks in the clients’ name consistent with the investment style of the manager, i.e., large cap versus small cap stocks or growth versus value stocks. “We think the advantages of owning individual stocks as well as being able to monitor the tax efficiency of the portfolio offer our clients an outstanding investment option that, up until recently, wasn’t available. Once again, we hope to demonstrate that we are a progressive financial planning firm by making this investment option available to our clients,” says Karen.

**Are Separately Managed Accounts
(SMAs)
Right For You?**

1. Do you have more than \$650,000 in investable assets (including IRAs)?
2. Would you like to own individual stocks instead of shares in a mutual fund?
3. Do you want to screen your investments to exclude a particular industry or stock?
4. Would you like to be able to see which stocks you actually own, more often than semi-annually, as you would with mutual funds?
5. Do you want to control the tax implications of your investments?
6. Are you interested in exploring investment approaches beyond mutual funds?
7. Do you expect to be the recipient soon of a significant wealth transfer, a pension rollover, or the proceeds from the exercising of stock options?
8. Do you have an important long-term financial goal for which you need a specific investment strategy?

Bonds – A Solid Investment

Philosophically, Ramsey & Associates believes that their clients' bond portfolios are safety nets. "We only buy AAA-rated corporate and municipal bonds. We don't buy and sell, we hold until maturity or when it's called. We don't try to squeeze out another .25 point of return. This way the client knows exactly what they have, how long they will have it, and there is no buying and selling of bonds to try to make a little here or there. That's not the point... the point is to build their foundation and, if we do want to take a little bit more risk, it's going to be through the equity side; not with their bonds," she says emphatically.

"By buying bonds directly from bond brokers on Wall Street, instead of through Schwab, for example, we increase the yield the client receives on average by an additional .25-.75%. Given that the bond rate of return is not that large anyway, if we cut out the middle person and save those basis points, the clients make a lot more on the bond part of their portfolio," Karen says. "Also, we don't do SMAs for bonds because we also eliminate the fee the separate account manager will charge the client. This way our clients are way ahead if they buy bonds through us versus through a separate account manager. To increase our clients' yields on their bond portfolios, by lowering costs for them, we build the laddered bond portfolio ourselves."

In times of bull markets, it's easy to be a genius, some say. During the technology boom, many investors felt they could take advantage of the rising markets and put all their eggs in one technology basket. Long-term strategies, a disciplined system, diversification, asset allocation, and value stocks were bad words in 1999-2000. Throughout this period, Karen recommended bonds to cushion any equity downsides as a result of an unforeseen technology crash.

"I actually started questioning my own judgment at one point, but quickly realized that I cannot control the market. The market will do whatever it does, and there is a distinct possibility that in a down market our clients will lose money," she says. "I want one part of their portfolio to be so conservative that they can always fall back on it and say, 'Oh well, thank goodness, that I've got bonds.' I have a few clients, who even though they lost money in the equity market, call and say, 'I don't know why you told me to do this, and I don't know why I did it, but thank you for getting me in all those bonds; they saved me.' So it's something we feel strongly about. People who really want professional advice are going to take it. Then they can spend the rest of

their time doing things that they love knowing they have hired somebody to look after their financial future.”

The Right Professional for the Right Job

For the more affluent investor, having an institutional quality manager handle their equity investments allows her firm to concentrate on what they do best: financial planning. “I truly believe that the only people who are really successful as professional money managers are the ones who do it every single day, all day long,” explains Karen. “They get up in the morning and are excited about finding that next stock to buy, or deciding when to sell a stock that has gone up. Those are the people who are good money managers. I am a financial planner.”

She continues, “As I’ve said, one of my greatest joys is talking with my clients. It is not sitting in front of my computer screen all day trying to figure out when to buy or sell a certain stock. It’s not my area of expertise and, more importantly, I have learned it is not what excites me. Clients ultimately understand that there are distinct advantages in letting professionals do what they do best. For example, having their taxes done by qualified CPAs, their money managed by professional money managers, and allowing the financial planner to create the plan and pull all the pieces together.”

When asked about the amount of time, energy and expertise that comprises her firm’s work with clients, and how she and her team are compensated, Karen replies, “Here’s how we do it: we charge for the first two meetings—and the work we perform in between them—on an hourly basis, except for investment plans, for which we charge a flat fee. Basically it is a way for an individual to come in, ‘kick the tires,’ and look us in the eye. We both know after a couple of meetings whether we think we’re a good fit for each other. Then, after we’ve done the initial work for them on an hourly basis, and they decide they want Ramsey & Associates to manage their portfolio, we will move them from an hourly fee to retainer basis. The annual fee for retainer clients is 1% of the first \$1 million and .5% of the portfolio above that amount. The mutual fund and SMA fees are in addition to Ramsey & Associate’s fee. Those are charged separately to the client. Our firm is a believer in full fee disclosure up front so there are no hidden agendas, no surprises.”

She continues, “I just shake my head at financial planners who say in the first meeting, ‘The only way I work is with an annual retainer.

Give me your money and I'll go manage it.' I wouldn't give my money to anyone who said that to me. Before I'd make that big of a commitment, I'd want to work with them to see if it was a good match professionally and/or personally first. Again, the way we've structured how we initially work with clients is the way we would want to be treated."

A Forward-Thinking Firm

Ramsey & Associates has a diversified mix of clientele, including 75 who are currently on retainer. The firm is taking new clients and has room for expansion. It continues to build on the knowledge and experience it has acquired over the last 12 years. Karen's associate, Shawn Donnelly, also a CFP® Practitioner, is an integral part of the Ramsey & Associates team and is "technically as good, if not better, than me," says Karen.

Karen and Shawn meet several times a week to discuss client updates and apprise each other of new developments or actions that need to be taken. "We have a solid firm with great people on staff. Whoever the client is working with will get superior service, talent and expertise, and will be taken care of just as if they were working directly with me," says Karen confidently.

Ramsey & Associates is quick to report they differentiate themselves through the use of technology and tools. "We also pride ourselves as being on the leading edge technologically as a financial planning practice," Karen says. "We always have the most up-to-date systems and will push the leading edge technologically because many of our clients are technologically inclined. That's one more way we say to them that this is a forward-thinking firm."

And, as a progressive and innovative firm, the team is clear on the advice they all would give to anyone entering or re-entering the market. Now, more than ever, in the uncertain stock market and economic environment, and the skittish nature of many new (and some experienced) investors, their solid counsel has proven to be wise over time. Karen explains, "We tell investors that they need a diversified portfolio invested consistent with their current risk tolerance, and not to try to time the market. If they have a diversified portfolio with an asset allocation in line with their risk tolerance the statistics show they will be fine over the long run."

Continuing she says, "Yes, there will be ups and downs. I don't prom-

ise that a portfolio will never lose money. But over the long run, if an investor has a long enough time horizon, he or she will come out ahead. Many investors have already suffered from non-diversification, so it is almost like preaching to the choir at this point. We also talk to investors not only about diversification between stocks and bonds, but also about making sure they don't have all high-tech, or dot-coms, or pharmaceutical stocks, for example. They need to be broadly diversified, including growth and value stocks. They must understand that everything in their portfolio is not always going to perform well all at the same time. But over the long run, statistics show that they'll be fine."

On-Going Education

When all is said and done, given Karen's boundless energy and enthusiasm for her profession, one would think some "down" time at the end of a long day would be a welcome relief. Not so for this compassionate, hard-working, teaching professional. Instead she is working on new technology for her clients to access their portfolios on Ramsey & Associates' website, her new book, or on her popular workshop "Caring for Your Soul in Matters of Money®."

In the workshop, individuals have an opportunity to learn how their childhood experiences have impacted their financial lives, "primarily negatively," says Karen. "Once this is discovered, the participants develop a new, more positive way to relate to money. The workshop is designed to support participants to look at what their soul is calling them to do."

Karen explains, "I believe that each of us has a unique gift to give to the planet—a unique gift based on our unique skill set and experiences. When we have an empowering relationship with money and are doing what we were meant to do, people experience more joy in their lives and find ways to make the difference they have been longing to make. The workshop assists people in looking at money—and their lives—differently from that point forward."

Launched in 1993, other financial planners are hiring Karen to teach the program. It is so popular that she now has nine certified workshop leaders, and another dozen in training to lead the workshop to individuals across the country.

Karen Ramsey and her firm, Ramsey & Associates, continue following their rule of treating their clients, prospective clients—and all of the many individuals they meet through advising and teaching—the

way they would like to be treated. And while she is delighted with the industry recognition she receives, the accolades she strives for, and is most proud of, are those from her satisfied clients.



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