North Bay
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Wealth managers talk about challenges, risk and what's ahead

For the second year, the North Bay *Business Journal* surveyed wealth management advisers across the North Bay on three questions related to the investment climate today and long-term. Their responses follow.

(Listed alphabetically by company name)

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Have you adjusted your investment strategies in response to economic trends over the past year? Why, or why not?

Yes, it's important to tilt your investment allocations as economic trends occur. Periodically I reassess the long-term market outlook and add or reduce exposure to asset classes. This takes time and effort, but adds value and a sense of control in what can otherwise be a roller-coaster experience.

A whole year ago I began talking with clients about the coming decline in the bond market and let them know that I would be adjusting portfolios…but not just yet. In January I started the transition from traditional long-term bond funds to a newer class of "unconstrained" bond fund. This new class is an absolute return-oriented bond strategy that is not tethered to benchmark-specific guidelines or significant sector constraints.

Over the months of May and June, when the bond market dropped 4 percent, we had just a taste of what lies ahead for the traditional bond market. In July, I did further research and made additional adjustments to our clients' bond allocations. I'm confident that they are well prepared for the coming bond market crash.

What mistakes do you see individual investors making in the current financial climate?

I think most people are too passive when it comes to their investments. If they're managing their own investments, they get stuck on decisions to buy or sell and then end up doing nothing. If they have an adviser managing their portfolio, they're afraid of asking "dumb" questions, and, again, end up doing nothing.

To avoid mistakes, you should work with an adviser who has a reputation for competency and integrity, of course, but who is also known for good listening skills and the ability to explain financial matters in terms you understand.

What trends are you anticipating will most impact investors over the next year?

Two things will happen that you need to be prepared for – one: bond values dropping when interest rates rise, and two: stock market volatility as the Fed tapers their propping up of the economy. In preparation, you need a disciplined buy and sell strategy.

Exit strategy is always a tool in my back pocket. I don't believe in watching any client portfolio go off a cliff. I monitor portfolios, asset classes and individual positions for declines which trigger my exit strategy. As Warren Buffet says, "You've got to control your losses."

More importantly, however, is the huge, negative impact from retiring this coming year without being absolutely confident that you'll never run out of money. The cost of a Wealth Integration Review Plan is money well spent.

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