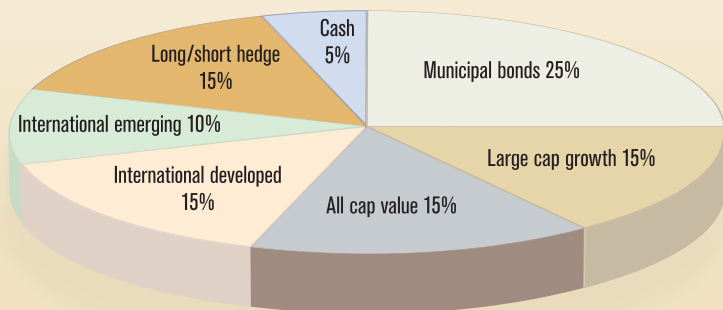


Focus: **WEALTH MANAGEMENT**

Diligence with dollars

Sample Portfolio

This scenario provided by Constellation Wealth Advisors LLC represents a breakdown for an investor willing to assume moderate risk with \$10 million or more of assets. The overall year-to-date return on this portfolio as of Sept. 30 is 17.29%, according to Constellation CEO Jon Goldstein.



The investment landscape has shifted dramatically over the past year. And the impact has not been lost on wealth management advisers who have watched their clients' portfolios drop by 30 percent or even more.

Those advisers who continued to advocate conservative steady growth now look like seers. Those who took a more risky position have much more ground to make up. But comfort levels and investment strategies aside, no one remained unscathed from the economic collapse that ripped through the market last fall.

Remarkably, even after real estate investments turned to rubble and the Dow Jones Industrial Average hit an all-time low of 6,440 on March 9, it broke back through 10,000 in less than a year. The rise has been unprecedented,

and economists claim there is a disconnect between Wall Street and reality.

Wealth management advisers have also become cautious, but optimism is on the rise, with a change in investment strategies steering the way.

We asked four wealth management advisers — Nancy Johnson of Borel Private Bank & Trust Co., Jon Goldstein of Constellation Wealth Advisors LLC (who provided the sample portfolio investment strategy is shown at left), Jane Williams of Sand Hill Advisors LLC and Edwin Ryu of Legacy Wealth Advisors — what they've learned from this extraordinary experience. How are they advising their clients in this new economic world, and what investment strategies can they offer?

Long-term approach pays off

BY WILLIAM-ARTHUR HAYNES

It was not uncommon 10 years ago for an elderly woman to go all-in on growth stocks because her grandson advised it.

"Everyone wanted to be on the train," said Nancy Johnson, senior trust and investment officer at Borel Private Bank & Trust Co. in San Mateo. "Now the lackluster return overall in the stock market in the last 10 years has tempered people's enthusiasm."

The attitude toward real estate has changed as well, given how the recession has affected values, she said. The downturn has been an eye-opener for people who believed real estate was one of the sure, long-term investments.

"There was a time when everyone wanted to own a piece of real estate," she said.

It's hard to see volatility in real estate because the investment is often long-term. Because of that, an investor doesn't necessarily keep track of the market value on this particular type of asset that often. Usually it doesn't become a red flag until there is a dramatic drop in the market, which occurred in 2008-09.

"The big picture is to position them for the long-term," she said. "Develop an investment plan and a risk level that is acceptable to the client with their full knowledge of what kind of risk they're taking and what their potential losses could be in the short term."

As it turns out, Borel clients are pleased with how they pulled through. Borel continues to believe in long-term planning, and clients who stuck by long-term investment plans appropriate to their individual risk and return needs are getting close to recovery, Johnson said.

"People were educated about upturns and downturns in the market and the long-term view in their portfolio," she said. "Conceivably, if one was all in equities a year ago, they should only be down about 5 percent or 6 percent."

For example, in a hypothetical scenario for a moderate risk-taker, Johnson recommended 65 percent allocation to equities and 35 percent to fixed income. She defines her moderate investor as one who can endure a 30 percent loss that could potentially affect the investor's lifestyle for three or four years, and who doesn't have a strong need for current income.

The fixed income portion would be about 95 percent California short-to intermediate-term municipal bonds, keeping in mind that when interest rates finally rise, they will do so rapidly, causing bond values to fall, she said. The other 5 percent would be allocated to high yield bonds, which have the characteristic of stocks in terms of volatility.

On the stock side, Johnson recommended domestic large cap individual securities, with mid-cap and small stocks or exchange trade funds such as real estate investment trusts, or REITs. Aside from domestic stocks, there are international securities that also include REITs and small- and large-cap international stocks. Historically, this type of portfolio would produce an annual rate of return of 13 percent. But looking ahead to future returns, a more realistic expectation would be in the high single digits, she said.

Nancy Johnson
Education: CFA, MBA,
Santa Clara University
Company: Borel Private
Bank & Trust Co., San
Mateo
Years in wealth man-
agement business:
25-plus
Funds under manage-
ment: \$900 million
Average net worth and
age of clients: Borel
does not collect this data

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