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Wealth Builders

Advisers reflect on scandals, stock-market tumult

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For financial advisers, the Bernie Madoff investment Ponzi scheme scandal was the left hook of a one-two combination that began with the unraveling of the housing market. Investors were angry at the losses they'd suffered, worried about losing whatever they had left and afraid that their money may be at risk at the hands an unscrupulous investment manager, especially given the massive scale at which Madoff had fooled so many.

With economic conditions still uncertain and investors' wounds beginning to heal, reporter Keith Regan asked area investment advisers how recent events have affected their profession, and how they deal with clients.

Jane King

Fairfield Financial Advisors.

Years in the business: 20.

Firm's assets under management: $100M.

I think the financial crisis and subsequent economic meltdown in 2008 redefined how many people perceive risk. Risk tolerance, once just a faraway concept to many investors, has become something that clients now really explore and assess. Many individuals on their own, or with the guidance of their advisers, have reduced their exposure to growth in their portfolios. As a result of the crisis, they understand the need to protect on the downside and that this is just as important — if not more important — as appreciation on the upside.

The high-profile scandals are another issue. As a member of the advisory profession, I am outraged when those who call themselves advisers abuse the trust that a client places in them. The regulatory authorities were clearly asleep at the switch.

Individual investors who are seeking advisory help must educate themselves in advance of the interviewing process. They need to know the right questions to ask and investigate the background of potential advisers before hiring them. No doubt, these scandals are terrible for the profession and tars us all with the same brush. Potential clients ask me many more questions now — and I agree that they should — before they make a decision to hire me.

Brenda Wenning

Wenning Investments Inc.

Years in the business: 19.

Firm's assets under management: $100M.

A lot of people remain very nervous about the markets today. If back in 2008 someone pulled out of the market, fear might have prevented them from going back in, and some may still not be fully back in the way they were before. The markets have come back strong, and if someone believes in buy-and-hold, there's a strong argument to be made that even though it was questioned in the midst of the crisis, it still works.

But that view overlooks a lot of the realities about markets. There is a lot of stimulus out there, and it's hard to say what impact that is having and how much of it is the market holding itself up based on fundamentals. People became much more interested in preserving capital first and less interested in growing their investments.

Now, people are learning to trust markets and advisers and money managers again, and the idea we try to promote is that an active manager isn't someone who is day trading from your account, but is someone who is looking at very specific internal data about markets and making educated and informed decisions about how to approach investing in the light of those realities. We haven't changed our approach, but some of what has happened has made people more willing to listen to our message.

Christopher Dalto

Delessert Financial Services .

Years in the business: 11 (Delessert is 16 years old).

Firm's assets under management: $350M.

The economic meltdown and high-profile scandals caused us to increase the lines of communication with clients. We spent a lot of time helping clients manage fear so that they could make objective, unemotional investment decisions. In the fall of 2008 clients showed a lot of fear and anxiety. They were also confused. They were fearful due to the extreme negative volatility of the markets. There were a lot of questions from clients asking if this was the Great Depression all over again. For certain clients we advised them to stop watching the business news stations as it was perpetuating their fear.

We sent out many educational e-mails regarding our market perspective. In addition, we had regular in-depth, market-focused conference calls with all clients. On top of that we spent a lot of time calling clients individually (and answering their calls) to discuss how the volatility affected their portfolios.

Part of our job as advisers is to manage two emotions: fear and greed. In the fall of 2008 "fear management" was our primary task.