Meet the money masters

They're quiet, they're discreet—and if you truly want your wealth to grow, they're the people you should call

By Duncan Hood

PHOTOGRAPHS BY FRANCES JURIANSZ

YOU'VE BEEN WORKING AND SAVING for a few years now and finally—finally!—you're beginning to see results. Your personal portfolio, socked away in mutual funds and GICs, is worth around half a million dollars. Problem is, you're not really an investing expert and you're not sure what to do next. On the rare occasions when you can get your financial adviser on the phone, he assures you things are fine, but you're not getting a lot of personal attention. And the hodgepodge of statements that come through your mailbox every month aren't much help. They're packed with loads of information, except the stuff you most need to know—things like your total annual return, and whether you're on track for retirement.

Isn't there a better way to invest money than this?

There is. In this world, when you arrive for your one-on-one briefing with your personal adviser, you're served a sumptuous lunch. Then your adviser—a highly qualified pro who has more letters after her name than the entire staff of your local bank branch—explains in plain English what's happening to the custom portfolio she's constructed to meet your specific needs. If performance isn't meeting your expectations, your adviser explains why it's lagging and lays out a precise strategy to do better. And, of course, she keeps you posted with regular updates that clearly and explicitly tell you how much you're making.

The most remarkable part of this remarkable picture? You get all this personal attention for less in fees than you're paying now.

Welcome to the world of investment counsels. Little known to the public, these quiet money masters specialize in catering to Canada's rich and ultra-rich. Unlike mutual funds or financial advisers, investment counsels rarely advertise. Discretion is part of their service. So is prompt, personal attention to their clients' needs.

The toniest investment counsels won't look at you unless you and your spouse have at least $3 million in investable assets. Most investment counsels, however, will throw open their doors to anyone with a million dollars to put into the market. Outside of major cities, minimums may drop even lower.

Still feel left out? If you're prepared to do without some of the personal attention, you can tap into investment counsels' expertise for far less than a million. Many of these firms let you invest in "pooled funds" for as little as $250,000. These funds operate much like a mutual fund. The difference is that you typically pay lower fees and often get better results. Over the past decade, 43 balanced pooled funds tracked by SEI Investments Canada produced average returns of 9.5%, more than a percentage point ahead of the typical balanced mutual fund.

Anyone who has accumulated a few hundred thousand dollars of investable assets should at least be aware of the investment counsel option—and if you're near or above the million-dollar level, you should definitely explore this world. Consider Karen Graham, who was thrust into the world of ➤

GOLD-PLATED SERVICE: Tom McCullough does it all for his roster of ultra-rich clients


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financial decision-making 10 years ago, when her husband, who owned an insurance brokerage in Toronto, died suddenly of a brain tumor. He had always looked after financial matters, and his death left Graham with two sons to look after, a business worth over a million dollars, and absolutely no idea what to do next. "I was going to be getting a decent sum of money for selling the business," she recalls, "I was 49 years old, and I had to do something with this money to create an income stream for myself, but I really had no clue."

A friend lent her a book, *The Insider's Guide to Selecting the Best Money Manager*. After reading it, Graham called up the author, Kelly Rodgers, who helps well-to-do clients find investment counseling firms through her firm, Rodgers Investment Consulting, in Toronto. Graham explained what she was looking for, and Rodgers narrowed the field to four investment counsels. Then she and Graham interviewed each one.

The final decision was Graham's, and she decided to go with Connor, Clark & Lunn (CC&L), a well-established firm with several offices across the country. CC&L put together a portfolio to provide Graham with a hefty monthly income for the rest of her life. Six years later, she couldn't be happier with the results. She's enjoyed strong returns and has next to no stress now that she knows capable hands are managing her money. "I never think about my finances," says Graham, "no matter what happens in the market."

What has impressed Graham is the level of personal service she's enjoyed. Rather than forcing her to drop by CC&L's office for annual meetings, her adviser makes the two-hour drive from Toronto to Graham's home in Muskoka. At Graham's request, the firm has structured her finances to reproduce the flow of funds she had grown accustomed to with her husband—monthly cheques accompanied by a periodic bonus. CC&L even opened starter accounts for each of her sons.

That kind of attention attracts many clients to investment counsel firms. Equally important, though, is dependable performance. Rob Bell of R S Bell & Associates, a Toronto firm that helps the ultra-wealthy find and monitor investment counsels, calculates the typical segregated balanced portfolio at investment counsels has produced 9% to 11% annual returns for the past 10 years.

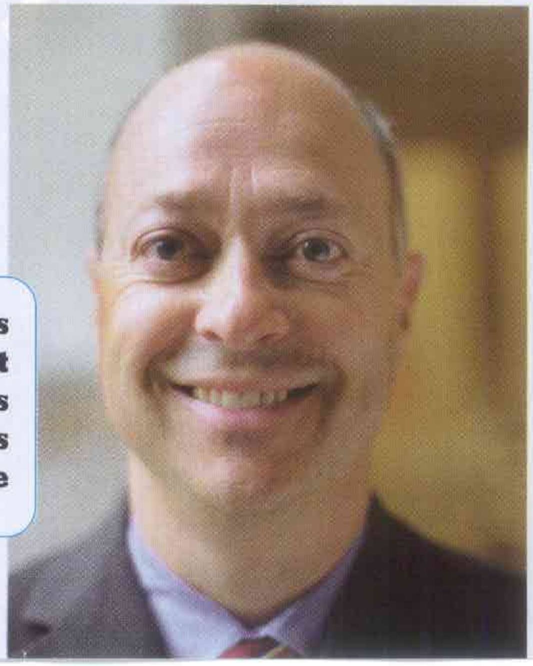
Those results easily beat the 7% to 8% returns that the median balanced mutual fund has produced over past 10 years. Yet, surprisingly, you actually pay less for the investment counsel option. While most mutual funds ding you for 2% a year or more in fees, the typical investment counsel charges you only 0.5% to 1.5% of the assets you have with the firm.

Investment counsels are "just a more professional way to look after your assets," says Bell, who believes they are "without a doubt" the best way to invest for anyone with more than $1 million on hand. Unlike stock brokers, investment counsels don't make money based on the number of transactions you make, so they have no incentive to churn your account to generate trading fees. And investment counsels are a bargain compared to the "wrap accounts" of bundled mutual funds that are enthusiastically peddled by many financial institutions. "Wrap accounts are similar in effect to investment counseling," says Bell, "but they're much more expensive."

Financial planners can sometimes be little more than salespeople for mutual funds, but investment counsels have the expertise to construct and manage made-to-measure investment portfolios, consisting of specific stocks, bonds and other investments. Most counsels have MBAs, Chartered Financial Analyst designations or similar qualifications. How you tap this expertise is entirely up to you. You can stay in constant touch by phone or email (try that at a mutual fund company!) or you can simply read your statements and see your adviser every year, as Graham does. In either case, the possibility of your investment counsel swindling you is next to nil, because your money isn't held directly by the firm, but rather at a trust company. Your manager can buy and sell stocks, bonds and pooled funds on your behalf, but only you can actually withdraw money from your account.

As your money grows, so do your options. If you start with $500,000, you'll probably qualify only for a pooled fund account. Once you hit $1 million, most firms will start adding individual stocks and bonds to the mix. After you've accumulated a few million, you may want to start splitting your assets among several investment counseling firms. The goal in cases like this is to have "best in breed" firms working for you in various areas—one firm might do your international investing, another might specialize in deep-value investments, a third might be on board for its bond expertise.

If you're in that multi-million-dollar stratosphere, a "manager of managers," such as Northwood Private Counsel in Toronto, would be glad to help you hire the best investment counsels. Northwood offers one of the few "family offices" in Canada. Family offices get their name because they're modeled on the in-house stables of lawyers, accountants, bookkeepers, planners and investment managers kept by the Rothschilds, Rockefellers *(Continued on page 47)*➤



"We haven't walked a dog...yet," laughs McCullough, but his firm has performed just about every other task imaginable for its millionaire clients. Find a nanny? Sort out a kid's credit card problems? It's all part of the service

(Continued from page 46) and other prominent European and American families to manage their personal affairs.

It is at the family office, where the minimums range from $2 million to $10 million, that you find the most lavish levels of personal service within the financial world. Northwood, like Montreal-based T.E. Financial and CIBC's T. Stenner Group in Vancouver, takes a broad look at a wealthy family's finances. In addition to selecting and monitoring your investment firms, they'll look at estate and taxation issues and work with your lawyer, accountant and bookkeeper to provide you with a totally integrated service. They take pride in doing *whatever* it takes to make sure all your needs are met. "We haven't walked a dog yet," says president Tom McCullough, "but we've helped people sort out credit card issues for a child who was in Europe. We've helped somebody find a nanny and we've helped people get tickets to various events." McCullough will even wade into the midst of a family squabble. "You know, when one member wants the money to grow, one member wants to spend it. If there's a very serious issue, we would even bring in a psychologist."

Other manager-of-manager firms eschew the more personal issues and focus purely on the investing equation. They help clients structure an overall strategy, then they identify the best investment managers to implement each part of the plan and monitor their progress. Prime Quadrant, a two-person shop in Toronto, and the larger I_3 Advisors, of Toronto and Winnipeg, both offer services of that type. The most exclusive may be Bell's firm: he serves a mere 19 clients—with an average net worth of $40 million.

What do these ultra-rich clients want? Surprisingly, it's often simple peace of mind—the assurance that their money is being responsibly invested by smart, honest people. "Money is supposed to make you happy," observes Bell, "but too often when someone makes a million dollars they get uptight and nervous and start saying 'What do I do? This is ruining my life.'" More and more, the answer is simple: find a good investment counsel. M

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