Money Maestros

Investment planners help to cut out the sour notes

BY KENT DARR, Senior Staff Writer

Friday, May 10, 2013 7:00 AM

In the world of wealth management, discordant notes are filling the air.

"The noise comes from the most unexpected sources," said Lance Gunkel, chief operating officer for the fee-only financial planning firm Sherpa Investment Management in West Des Moines.

These days, clients are looking for a maestro to put the notes in order.

With the recent 140-point drop in the stock market after a fake Tweet announced that President Barack Obama had been injured in a White House explosion, it's easy to understand why investors feel uneasy, not the least of whom are the high-net-worth individuals who make up the majority of clients at Sherpa Investment Management and its parent, Syverson and Strege Co.

6 tips on investing (via Sherpa Investment Management

1. Tilt away from stocks due to overvaluation.

2. If you must have stocks, turn to international and emerging markets.

3. Bonds offer some downside protection, but carry some risk as well.

4. Seek out short-term bonds to reduce exposure to interest rate increases.

5. For bonds, favor international and emerging markets. 6 "Wait for the fat pitch: valuations are high and patience is the key."

Gunkel can recite many sources for the sour notes: wild fluctuations in the European economy, high-frequency traders who are in and out of markets in short order, markets that seem to bounce up and down with every burp from

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a 24-hour news cycle.

"We're getting inundated," he said.

Gunkel recently compared market fluctuations over a two-week cycle. The first week, the market closed out with a 2.6 percent gain; the following week it closed 2.6 percent down.

"With a rational market, we don't expect to see those kinds of swings," he said.

Gunkel and Wayne Johnson, a financial planner with Syverson and Strege, counsel their clients to plug their ears to the noise, or at least rely on the financial experts to create a symphony.

"Anything on the outside is complete noise," Gunkel said.

For Johnson, that noise can come from the outside or from events in a client's life.

"How people feel in general affects how they make financial choices," he said.

Those feelings can be influenced by a decision to sell a business or set up a succession plan for the following generation. Clients also could be reeling from the death of a parent or from the stress of being forced to move them into a skilled nursing care center.

The message is to stay calm and focused.

"We try to refocus clients on goals; we advise them to take as little risk as possible," Gunkel said. "A lot of people are looking for larger returns because rates are low, valuations are high and they have little confidence that corporate earnings will continue to surge. Then they leave here and hear about an investment that is making high returns. We caution them to stay good and focused."

Johnson said: "If something changes in a client's life, we determine whether there is an (investment) position that is appropriate for them. If they are retiring, it could be time to be more conservative."

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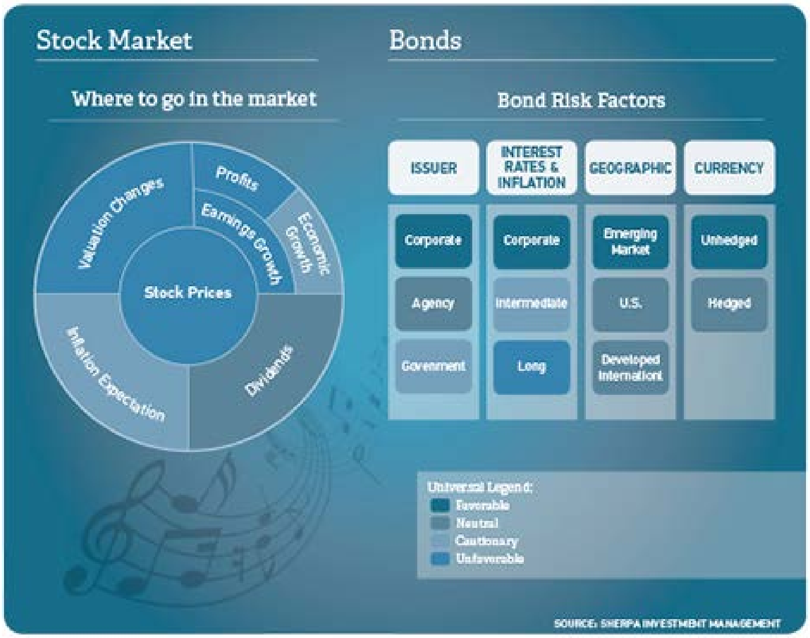


Do you need wealth management?

So who is a wealth management firm's typical investor?

At Syverson and Strege, it is someone with a net worth of between $3 million and $5 million, often a business owner or executive or, increasingly, a farmer. It's probably someone who has a philanthropic bent and who also is experiencing a life altering event or is about to face one.

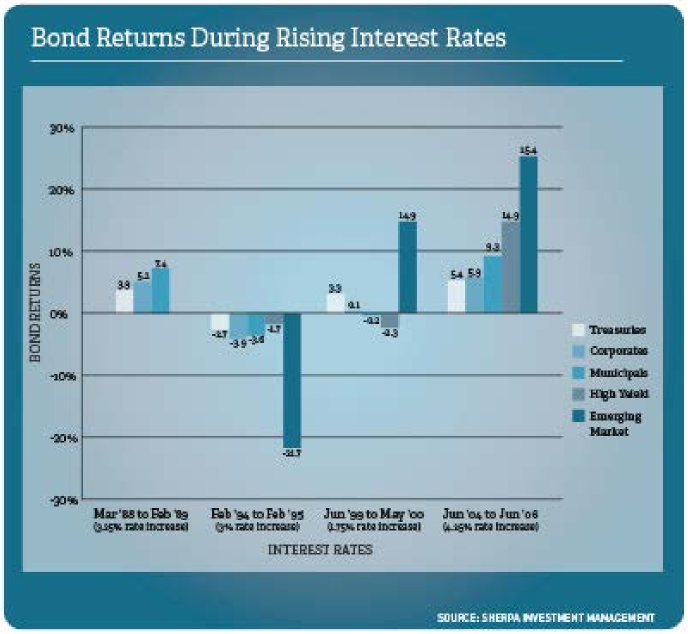
That description doesn't fall too far from the clients at HJN Advisors LLP in Des Moines, where a certified financial planner points out that Greater Des Moines has a significant population of people who have built up businesses that have a net worth of $5 million to $8 million and who wonder what to do with their wealth after they leave the business behind.

"They've gone from business owner to investor, so it's a new game for them," said Jeff Bratz, a certified financial planner with HJN Advisors.

Those folks have built the business by following a conservative financial plan. The erratic nature of the news cycle and financial analysis coming from sources such as MSNBC and Fox can be intimidating.

"They don't know what this market thing means to them. What does it mean to their core values?" Bratz said. "They've owned a business or a farm, they've made a widget or they've grown corn. Now all of a sudden you have to trust Wall Street and you live on Main Street. Coming up with a disciplined approach is critical."

That disciplined approach involves making certain that succeeding generations understand the values that went into building the family's wealth, he said.



Investing abroad

For Gunkel and Johnson, staying conservative and managing risk means looking to international and emerging markets for investment opportunities.

The reason is simple: valuations of U.S. corporations are so high that there is little margin for error. Any of those discordant notes could send them into a tailspin.

Emerging markets, such as Brazil, Russia, China and India are attractive because companies there have relatively sound balance sheets, and prices are reasonable.

“The idea still is to buy low and sell high,” Johnson said.

Gunkel said there are also good opportunities in developed countries in Europe, with the ability to buy low offsetting some of the risk of investing in developed markets.

“You want the diversity that the international markets can give you,” Johnson said.

A favored investment vehicle is the global managed volatility fund, which features equities that are expected to have lower-than-average volatility while providing long-term returns that do not have the fluctuations of the stock market. The fund might trail stock markets during a period of rapid growth, but should provide more reliable returns.

Bratz said he is not so much concerned about the type of investment as he is with a client’s comfort level.

“It’s what matters to the family, regardless of whether it’s the stock market or bonds, it needs to be a plan that fits the family,” he said. “The one thing that matters is a strategy that includes everybody.”

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