The Write Stuff

Principals at Berkshire Money Management Have a Good Read on Investing

By GEORGE O'BRIEN

Allen Harris was relating the story of why one recent new customer came to Berkshire Money Management (BMM), and how his experiences reflect a trend he's noticed within the financial services industry.

"He gave us $500,000 to invest," said Harris, who was joined by Bill Schmick at BMM, a Pittsfield-based venture, this past spring. "The reason he gave us $500,000 was because he *had* $1 million, but, like many people, he lost about half his portfolio when the market crashed. When he called his now-former advisor, and luckily got him on the phone, the advisor's response was, 'what are you worried about? You still have $500,000.'"

This cavalier attitude effectively provided the serious push, or cathartic moment, that is often needed for an individual or couple to change investment managers, said Harris, who told *BusinessWest* that many have apparently crossed this threshold, based on the number of inquiries and new customers that BMM has recorded in recent months. They've made it to the firm's Web site or front door thanks to some aggressive, targeted marketing, as well as some candid thoughts that the two partners have put on the Web that convey the message that people shouldn't tolerate poor performance from those trusted to invest their money, and that those at BMM don't do business that like aforementioned advisor.

Harris, who originally started BMM in 2001, went so far as to create a Web site called *www.fireyourstockbroker.net*. It tells people why and when they should take such action, how, and what happens after the axe falls. Consider this missive:

You should fire your stockbroker today. For that matter, don't just fire the broker, but fire the team and fire the firm. Move on. We are having a conversation about your life savings — your livelihood. If you weren't happy with your service at a restaurant you may very well never go back. And that's just one bad meal. If someone disturbs your family's entire life in doing a disservice by way of your nest egg, then you should be even more discriminating.

Meanwhile, Schmick, a former journalist who never lost his passion for writing, started authoring a series of columns, all posted on his blog (*www.afewdollarsmore.com*) that strike similar chords and rail against the simple and, in his view, archaic practice among many investment advisers to simply buy and hold — for decades.

"I was getting really angry," said Schmick. "My competitors were losing money for clients hand over fist — 30%, 35%, 40%, 50% of the wealth that they had accumulated over 30 years was going up in smoke. And a lot of brokers and money managers weren't even calling these clients. So did a column to vent about my profession and what was going on."

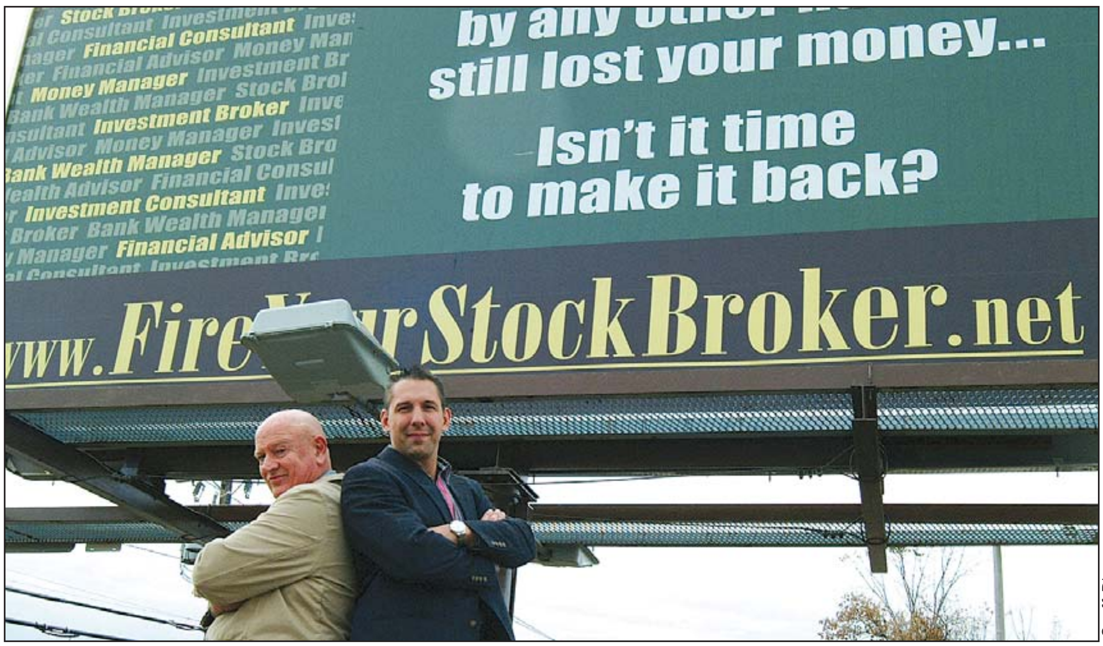
One of the places he visited while doing research was *www.fireyourstockbroker.net*.

To make a long story somewhat shorter, the two money men started reading each other's material — and realizing that they shared philosophies and approaches to doing business. So they decided to do it together.

And they're focusing on what they consider to be two distinct growth markets. One is that group experiencing those cathartic moments that make them consider firing their stockbroker. The other is the apparently growing number of high-net-worth individuals (like Schmick) who bought weekend or summer homes in the Berkshires and have decided to retire and spend at least half a year in that region.

Actually, there are three main target groups, with the third being women, a constituency that has been historically underserved and perhaps misunderstood, said Harris, noting that women are, in many ways, more demanding than men when it comes to their money and how it is invested, and that than BMM, with its approach, is well-suited to serving this group (more on that later).

Overall, the partners are rewriting their business plan — and putting in place more ambitious goals — based on two things they perceive: the need for better service from one's financial advisor, and demand for the same thing.



Staff Photo

Bill Schmick and Allen Harris have been loud in their efforts to get area residents to fire their stockbroker.

"Six months or more ago, I was fairly content with the way things were going; we had about $150 million in assets under management, we had a great relationship with our existing clients, and were doing well," he explained. "It would have been easy to sit back and continue on that path, but the business plan changed because we saw that need and demand climb together. And from a business

perspective, how can you not take advantage of this demand?"

In this issue, *BusinessWest* looks at how Berkshire Money Management is growing its portfolio — of clients — and what the future holds for these partners who apparently think, and write, alike.

On-the-money Advice

Harris recalls that he was on a plane returning from a triathalon he'd competed in when he began pulling together thoughts that would lead to *www.fireyourstockbroker.net*.

"I starting writing things down a piece of paper," he said. "I compiled this long list of things about why and when people should fire their advisor. Eventually, I had to ask the stewardess for more paper."

He then decided he had to go public, or more public, with these thoughts, and thus the Web site was born. It's now featured prominently on billboards, print ads, and radio spots. Once people get to the site, they can read passages with headlines like these:

• "If your broker did not call you personally during the last half of 2008, then fire your broker today!"

• If your so-called advisor rode the stock market down 30, 40, or even 50%, then fire your broker today!"

• "If your portfolio is roughly the same value as it was a decade ago, then fire your broker today!"

You get the idea.

Schmick, as he mentioned, was among those who visited the site.

"I started reading, and came to thinking that his thoughts were reflecting my own feelings," he recalled. "I learned that he had been reading my columns. So we had a meeting of the minds."

That's how these two investment professionals, with intriguing and decidedly different backgrounds, came to share the same business mailing address.

Harris, who played football in high school and college and later excelled in mixed martial arts (as well as triathalons), has enjoyed a more-than-20-year career in investment management. Early on, he worked at Smith Barney and Dion Money Management, among other stops, before creating BMM in 2001. Along the way, he founded and later sold a highly successful mutual fund newsletter, the *Navigator Newsletters*.

Schmick, meanwhile, is a Vietnam veteran who eventually earned a master's degree in Journalism from Temple University and forged a solid career with the media, working for *Forbes*, among other publications. But he had a head for numbers as well, and, after earning an MBA from New York University, went to work on Wall Street for Drexel Burnham Lambert and, later, Merrill Lynch.

He would eventually leave Manhattan and move to Hinsdale, N.Y. with intentions to write a book. One didn't materialize, so he was left to decide between moving back to New York or finding a job upstate. He chose the latter, and began writing columns about money and investing.

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Since forming their business venture, Harris and Schmick have gone about trying to communicate to clients, potential clients, and the public at large just how their approach to money management is different from that of many calling themselves experts on the subject.

And they used the 'buy-and-hold' philosophy as a good jumping off point.

"The buy-and-hold strategy works in periods of time — three, four, five, 10 years sometimes," said Schmick, "but it's not forever; it's not something you do in year one and sell out in year 30. There's been times to buy and hold and times to buy and sell.

"For the past 10 or 15 years, a lot of would-be managers, be they brokers, financial consultants, or money managers, have hid behind bull markets," he continued. "They put people into portfolios and then went about marketing; 80% or 90% of their time was spent on marketing, and about 10% or 15% on adjusting portfolios. Then you came into a period like 2008, and the emperor had no clothes."

No Stock Answers

Analyzing the events of the past several months, the partners said the market's rally — approaching 50% since the dark days of March by the start of November — is the good news. The bad news, in their view, is that the surge is prompting many financial advisors to fall back onto those some bad habits, said Schmick.

"We're in the same thing right now," he explained. "We've had a 50% rally in the markets and people are breathing a sigh of relief. They're thinking, 'I don't have to change anything, and I don't have to do anything. I'm going to take what happened since March and market the heck out of it.' It's the same thing all over again."

Berkshire Money Management isn't following such a script, the partners said, and this apparently unique approach is drawing some attention from consumers.

Harris told *BusinessWest* that the firm's roster of clients has grown from 262 to 287 over the past several months, a 10% increase, while the amount of money under under management (approximately $150 million at last count) has soared as well.

They hope to continue growing those numbers through their efforts to convince potential clients to fire their advisors — or at least start with a hard analysis of their performance, what they're doing, or not doing. Their goal is to get people to knock on their door and ask about what it is that makes them different. They believe their answers should prompt action.

"We don't go through the day trying to support our position about what we should continue to hold," said Harris. "Instead, we try to figure out reasons why we might want to sell. And that ends up being a much different conversation.

"One conversation goes something like … 'we bought XYZ stock, and we're going to hold this thing for the next 50 years, because sales have been good for the last year and you have a long-term horizon and it doesn't matter if it goes down in the short term, because in the long term, things have always gone up in the last 100 years.' We're trying to think about things in different terms. From a process standpoint, we spend half our time trying to think of what we might have done wrong; OK, we bought something. Is it time to sell? When is it time to sell? Is it still the right thing to hold? Is there something else we should be holding?"

It is these thought processes that the two partners are trying to sell to those three tar-

geted growth areas — people thinking about firing their adviser, those already retired in the Berkshires or thinking about such a scenario, and women.

"Nationwide, but especially in this market, women over 50 are underserved," said Schmick. "Many of them are divorced or their husbands have passed away, and they've come into money. We believe that women have to be served in a different way than men when it comes to money management, and thus we think this a growth area for us; at least half of our new clients are women."

Harris concurred, and said over his many years in the business, he's found that women are different from men in the types of questions they ask and the level of service they might demand, characteristics that point to opportunity for BMM.

"Women ask harder questions and want more details than men," he explaining, noting that he was, of course, generalizing. "While men are more likely to put their emphasis on the trust factor, women are more challenging; they're like engineers with regard to their questions and their desired answers. They need to not just have faith, they actually need to have the mathematical certainty, or as much as you can get in this industry, to know that what we're saying to them is going to support what their goals and needs happen to be."

The Bottom Line

Summing up the volume and nature of phone calls to the BMM offices over the past year or so, Harris said he's detected some patterns.

In late 2008, as might be expected, most calls were from clients concerned about their money and what was happening to it. In recent months, however, there are far more calls from prospects. The recent surge in the market has made them less concerned about their monthly account statements, said Harris, but more concerned with potentially doing something about changing their advisor.

Elaborating, he said that many investors knew, at the height of the crisis, that they were in bad relationships, but put stock in that old adage about not changing horses in midstream. Now that times are better, people are "less frozen and more willing to make a move."

That certainly bodes well for a company that isn't in a holding pattern — literally or figuratively — and is on the path to continued growth by continually imploring people to fire their stockbroker. ■

George O'Brien can be reached at obrien@businesswest.com