

Life After Love –Investing
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Life After Love

Nobody ever gets rich from a divorce. It's simple math really. You can't split the money in two and end up with more money that you started with...no matter how large the kitty was to begin with.

It's imperative to invest. If you don't, your money's going to disappear faster than your ex did.

A money garden is how I picture my investments. It helps me visualize all the elements I need. A solid foundation (the earth), knowledge (sunshine), patience (rain), diligence (staking, pruning, and weeding), good advisors (fertilizer), diversity (different kinds of plants), and yield (the harvest).

Give it a try; decide what you want to grow. Will your garden have flowers or vegetables? Both? Maybe a few herbs? The answer depends, of course, on what you want to harvest.

Do you want college money for your kids? Retirement money? A bigger house, a condo at the beach, a yacht, enough money to travel the world?

Now that you know exactly what you want to reap, all you have to do is figure out what to sow.

Skip the late night infomercials, any materials that promise to make you rich quick, and all insurance salesmen posing as investment advisors. What you really need is a stockbroker or a money manager. You have to be really diligent about this because the wrong advisor can steal you blind or gamble your money away. However, be aware that the best of financial advisors cannot predict the future. Expect them to struggle through a bad market and occasionally lose money on a stock pick. It's part of the territory. Think of it terms of your garden. Nobody can predict a drought or flood. Some years your garden will produce a bonanza, some year's only puny pickin's.

First you must decide whether you need a stockbroker or a money manager. It's a matter of money of course. If you have \$500,000 or more in tradable assets (cash, bonds, stocks, mutual funds, that sort of thing) you need a money manager. If you have less than that, you need a stockbroker.

When choosing a stockbroker, don't rely on family, friends and coworkers for recommendations. Too often people choose brokers because Aunt Martha thinks the guy comes from a good family, or because he coaches Bobby Jr's little league team.

Nope, you need facts on the guy (or gal). Get performance records on potential stockbrokerage houses and on individual brokers. Ask the manager for the name of his top-performing (not the most popular) stockbroker, how often brokers undergo performance ratings and reviews, and the professional history of the broker. Then interview the brokers who make your list.

Two things you really need to watch out for: cover-ups and pillaging. Sorry brokers are rarely fired because brokerage houses don't want to undergo the federal scrutiny that follows a firing, nor do they want to court potential scandal or bad press. Beware that bad brokers can look good on paper – check performance ratings, experience, and references. Bother to do your homework before you hand over your money.

Pillaging comes in the form of frequent stock trades. The more often you sell and buy stock, the more money the broker and the house make. Make investment decisions based on long-term value. Don't let a broker talk you into constantly moving your money around – you are more likely to lose gains in paying the higher fees than you are to gain profits in “hot tips” and frequent trades.

Say you have enough assets to need a money manager. In a nutshell, you are going to want about 30% to 35% of your investment money in fixed income (bonds and high grade securities rated AA or better) and the rest in stocks for growth, maybe some in cash depending on the current market. A good money manager will propose a similar investment plan.

It's important to ask about fees. Trust Departments in banks, for example, typically charge a ton in hidden fees.

Don't hire a Trust Department or money manager until you check the record with the Securities Exchange Commission (SEC) first. The financial advisor should automatically supply you with a document called an ADV that will give you a history of the firm, a list of services, and the fees the firm charges.

It's very important to compare performances between firms. Also ask about the custodian. That's the guy who moves your money around between accounts in the process of managing your money. “You are setting yourself up for abuse if the investment advisor is also the custodian because then he can steal your money,” says Salvador Diaz-Verson, president and chairman of Diaz-Verson Capital, LLC (DVC). He says that the custodian and the advisor should also be from separate firms.

Meet with your advisors and accountant at least once a quarter. “Don't be intimidated. Speak up and ask questions. It is your money. If you feel uncomfortable about their recommendation, don't do it,” says Diaz-Verson. Don't be surprised though if you get a letter from the money managers saying they disagree with your decision. They do that to avoid blame and liability later if things don't turn out like you hoped.

That's the trouble with gardens; you still have to pull weeds, spray for bugs, and pray the weather holds.

See you next week.