

Start Early, Keep it Local, and Keep it Customized

**WEALTH MANAGEMENT
IN THE GABLES**

By J.P. Faber



Photo by Robert Sullivan

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JOHN HARRIS, MANAGING
DIRECTOR FOR THE CORAL
GABLES TRUST COMPANY

As F. Scott Fitzgerald once famously wrote, “Let me tell you about the very rich. They are different from you and me.”

What Fitzgerald was talking about was generational wealth, families he depicted in novels like *The Great Gatsby* and *The Last Tycoon*, where a sense of self-entitlement and superiority came from enjoying too much too soon, without the work required to attain it. While the wealthy are indeed different, and certainly have different needs, in Coral Gables these have more to do with protecting what’s been created through hard work than any sense of arrogant self-worth.

“There is a great deal of wealth in Coral Gables,” says local attorney Michael Moore. “But more often than not, that wealth has been built by these individuals, these entrepreneurs, and not inherited. This is a city largely composed of those who have created their own wealth.”

For that reason, many of the boutique wealth management firms based here – versus national giants like Morgan Stanley or Northern Trust which have outposts here – have made it a practice of working with clients who are just beginning to create their fortunes. “Even though we now manage north of \$1.5 billion, we want to be a resource for the local community and appeal to most households in the city,” says John Harris, managing director for the Coral Gables Trust Company. Harris’ firm will work with clients whose assets fall below the threshold for many national firms – hundreds of thousands rather than millions – because these clients are tomorrow’s opulent investors. “We want to recognize the wealth creators, and is the businesses



Above: Half of South Florida's highest-value zip codes, in terms of real estate value, are in Coral Gables.

Opposite: John Harris is the managing director of the Coral Gables Trust Company. This firm works with clients whose assets fall below the threshold for many national firms – hundreds of thousands rather than millions – because these clients are tomorrow's opulent investors.



Photo by Michael Campina

that create wealth,” says Harris. “We want to be there when they get there, down the road. These are people we want as longterm clients, like little sapling trees. We don’t need the instant gratification that the larger firms need; we are privately owned.”

Evensky & Katz/Folds Financial is another locally based wealth management firm, headquartered in the Gables since 1986, with some \$2 billion under management. Similar to Coral Gables Trust, the firm makes it a point to work with up-and-coming wealth builders. “Our median client has multi-millions under portfolio management with Evensky,” says principal David Evensky, son of the eponymous founder of the firm. “However, being a boutique firm, we have the ability to work with HENRYs – High Earners Not Rich Yet. These individuals are successful business owners or professionals in the making. Although they don’t meet the traditional minimum at a large bank or institution, we have the ability and desire to begin working with them now.”

Similar to other wealth management firms, large and small, both Evensky and Coral Gables Trust take a longterm view when it comes to building wealth. “What we try to do is explain to clients that we take a longterm view, longer than a year, or two, or three,” says Harris. “We are looking to build longterm wealth. We don’t lead with returns. We have strong returns, and are proud of that, but we aren’t marketing that.”

Carol Kaufman (shown left), vice president and senior partner of Firestone Capital Management, agrees that returns are not paramount for clients. “Most of our clients are wealthy, and whether they make an eight or nine percent return is not as material as having proper diversification and the proper protections put into place for all of their financial assets,” she says. “Of course, nobody is in this role *not* to make money. Our goal is to generate solid returns that help clients reach their goals,” says Kaufman. “When we do longterm planning, we try to project modest rates of return. You can’t expect to earn more than the market gives you. Our clients’ financial plans need to hold up when markets are roaring or crying.”

Firestone, like Evensky and Coral Gables Trust, is based here, in a city that has a brand-name cache for wealth. Half of South Florida’s highest-value zip codes, in terms of real estate value, are in Coral Gables. It is also a beacon location for multi-nationals and for professionals, such as lawyers, accountants, bankers, doctors and dentists. And these are among the top client targets for Firestone and other wealth managers.

“Our typical clients fall into three stages of life,” says Kaufman. “The first is the young

professionals, the doctors, lawyers, dentists, etc. They probably don't meet our minimums but are saving and building their assets aggressively. Then we have people in their 40s and 50s who are trying to juggle college costs and looking toward retirement. And then there are the older clients, in their 60s, 70s and beyond, who are trying to distribute their assets."

Regardless of which group clients fall into, says Even-sky, they all want to delegate. "They understand that their highest and best use is focusing on their business or profession, or enjoying their grandchildren and travel in retirement. They want to have their personal finances in good order and properly managed, but realize that they do not have the time or access to the institutional markets necessary to implement it. So, they delegate to us."

The process of accepting that responsibility means, above all, that each client is treated uniquely, with an investment package tailored specifically to them.

"Ours is a planning-based model, where we build a plan for each client in terms of their life cycle, their risk tolerance and their personal goals," says Jay Pelham, president of the wealth management subsidiary of accounting firm Kaufman Rossin. "You could have someone many years away from retirement, with small sums to invest, and they take a lower risk. You may have someone with a shorter time window who will need to have stronger returns. It's a matter of personal risk tolerance." One of the tools used by Kaufman Rossin Wealth is a 10-question



Above: David Evensky, principal at Evensky & Katz/ Folds Financial has headquartered in the Gables since 1986, with some \$2 billion under management.

Right: Carlos Lowell, is a financial advisor at the Coral Gables office of UBS who specializes in working with athletes in the National Football League and Major League Baseball.



Manuel Garcia-Linares, managing partner for the Coral Gables office of national law firm Day Pitney. The firm has a strong family practice that works with affluent families and their wealth managers

application to gauge their tolerance for risk.

Prior to creating the wealth management division of Kaufman Rossin, launched earlier this year, Pelham served as president of TotalBank and, prior to that, executive VP at Gibraltar Private. Via his 30+ years of living and working in the Gables, he has come to see a variety of client profiles, each in need of custom approaches: owners of closely held businesses; owners that are in a retirement stage; partners in professional firms; executives with stock concentrations; and recent divorcees. "With all of those clients we are developing investment strategies and risk strategies, helping plan the next stage of their lives," he says.

Personalizing the approach to clients reaches its rococo with Carlos Lowell, a financial advisor at the Coral Gables office of UBS who specializes in working with athletes in the National Football League and Major League Baseball (yes, his brother is Mike Lowell, the former Marlin and Red Sox great who was voted World Series MVP in 2007).

"The pro athlete has an earning path that goes up high and then drops to zero," he says, so that a lot of what he does is to protect their wealth while they re-invent themselves in a post-play profession. Typically, he says, the younger athletes tend to dissipate their wealth a little more readily than older athletes, who can see the end of their careers approaching. He says he understands that pattern from his years at Morgan Stanley and Goldman Sachs in New York, working with entrepreneurs who build businesses and then sell them, before going on to the next project. "You get a saw tooth pattern, and that's similar..."

In such cases, it's an almost biblical matter of putting aside the fat from the good years so that the lean years can be weathered. This is also true for all wealth management clients, whose portfolio growth can vary with the ups and downs of the overall economy.

"We try to hold on to the gains when we have them," says Kaufman of Firestone Capital Management. "That's part of the diversification process – to harvest and preserve gains so you don't have to give it all back when the market takes a turn."

Like most money management firms in Coral Gables, both Firestone and UBS offer what is known as a "holistic approach,"



which ranges from how to maximize the value of a business, to legacy planning, to how best to handle philanthropic endeavors. Even so, few wealth managers in the Gables go without the help of outside professionals.

This is especially true when it comes to financial research. While some global firms have huge in-house research capabilities, that is rare for boutique firms – though this does not necessarily put them at a disadvantage. "We recognized, six years into the business, that we couldn't do the best research in house," says Harris of Coral Gables Trust. "So, we seek the best individual money managers out there, small cap, mid cap, etc. We look for the best managers in each area." CGT hired Folio Dynamics in 2012, for example, paying them a fee for research that comes from a team of 30-plus Stanford, MIT and equivalent graduates. They also use Morning Star, and the research coming out of Charles Schwab, which is where they custody all of their client assets.

Legal work is another area typically outsourced by "pure" money management firms. Manuel Garcia-Linares, for example, is the managing partner for the four Florida offices of national law firm Day Pitney, including in Coral Gables, where he is based. In addition to advising clients in matters of

complex business litigation, the firm also has a strong private clients practice that works with affluent individuals and families – and their wealth managers – on tax planning, wealth transfer and succession planning for future generations.

"Neither accounting firms nor wealth managers can do the legal work on trusts and estates," says Garcia-Linares. "They can give advice, but the actual drafting of the trust and estates, we do that."

Another area of specialty that plays well in Coral Gables, a city where many residents maintain collections of Latin American painting and sculpture, is Day Pitney's expertise in art. "We have a number of lawyers that specifically advise clients on art deals – acquiring, protecting, selling, and how to pass the art from one generation to the next," says Garcia-Linares. "Really, it's any asset that someone has, in terms of what's the best way to pass that on."

So, are the very rich really different from the rest of us? "The more wealth they have, the larger the number of potential problems they have, which they need assistance with," says Garcia-Linares. "There are more potential issues, especially how they are going to pass wealth from one generation to the next."

These are problems we all wish we had.