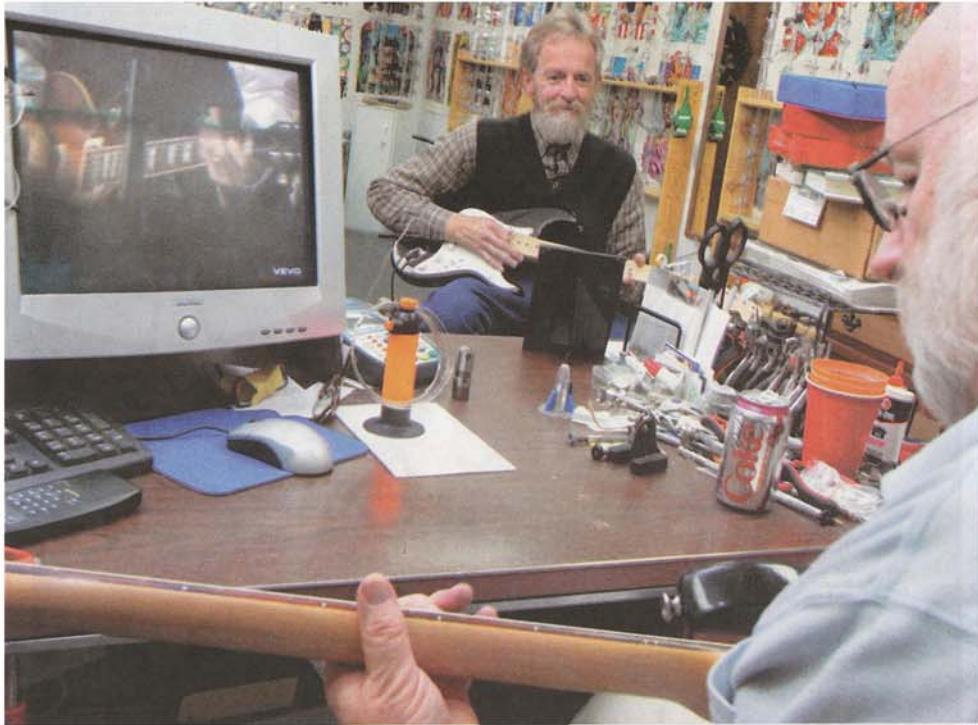


NEW MEXICO BUSINESS WEEKLY

RETIRE RICH

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Jeff Watson, left, says having a good financial consultant helps him feel secure. With his nest egg safe, the former dentist can indulge his love of playing guitar in his retirement. Here, Watson and Eric Chambers, in foreground, are jamming to a YouTube video after hours in Chambers' eyeglass repair shop.

Keeping investments in tune

Advisers take conservative approach with client portfolios amid market discord

BY KEVIN ROBINSON-AYILA | BROW STAFF

Retired dentist Jeff Watson sleeps well at night, thanks to his financial consultant, Ralph Hicks.

Since Watson retired in 1999, Hicks has advised him to invest in insurance-backed financial instruments that earn less than typical stocks during bull markets, but pro-

tect holdings in a downturn.

Thanks to that advice, Watson says he and his late wife avoided losses in the stock market slump of 2000-2002, and during last year's meltdown.

"We didn't want to be at the mercy of the ups and downs," Watson says. "Maybe we haven't gained anything during the hard times, but we didn't lose like many others.

and we're very thankful for that. While other people's mental health is suffering, we've had no horror stories, and we can sleep at night." (For more on Hicks' advice for Watson, see box, page 13)

Given the massive losses that retirees, and those nearing retirement age, have suffered in the recession, many financial planners are emphasizing safety instead

of risk with clients, even if it means lower returns when markets are strong. And advisers who still favor traditional stocks and bonds have adopted a much more cautious market approach. They carefully monitor ups and downs and make frequent changes to protect investments.



Hicks

Albuquerque-based Ralph Hicks LLC, which has more than \$50 million under management, stopped investing altogether in stocks and bonds after the 2000-2002 downturn, says Hicks, a certified senior adviser who works with people 55 and older. The average investment of his clients is about \$50,000, but he works with investments as small as \$5,000.

In the 2000 crash, the Standard & Poor's 500 index fell 47 percent in value. Hicks

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says. It fell even more in the current recession.

"I quit doing variables [stocks and bonds] five years ago because I'm tired of seeing elderly retired people losing 50 or 60 percent of their assets," Hicks says.

He now favors equity-indexed fixed annuities, which tie interest to upward movement in the stock market. In a downturn, the annuities pay nothing, but all principal and interest paid to that point remains guaranteed.

Those types of investments are rapidly gaining popularity. Sales of fixed-interest annuities totaled \$127 billion in the past five years, up from \$43 billion in the previous five-year period, according to the Wharton Financial Institutions Center.

"In a downturn, my clients keep all principal and interest earned up to then, so they stay even," Hicks says.

Capital preservation is key

Albuquerque-based Retirement & Legacy Solutions, which manages about \$150 million in assets, restructured many of its client portfolios to add new protections since last year, says owner and Partner Robert Balow. His firm's target clients have \$100,000 or more to invest.

The firm now relies heavily on exchange-traded funds. They are diversified like mutual funds, but they cost less and earn less, and can be rapidly traded like stocks.

"Mutual funds have always been a problem, because they only trade once per day in the late afternoon," Balow says. "ETFs trade immediately. We follow the investments closely, and are always ready to move them to protect against market volatility."

ETFs are also rapidly gaining popularity. Sales grew from less than \$100 billion in 2000 to more than \$600 billion in 2007, according to statistics compiled by iShares.

Many firms still buy stocks and bonds for client portfolios, but they emphasize new strategies to increase earnings.

Albuquerque-based MarketSpace Financial Inc. started investing in foreign stocks and bonds for the first time in May because dollar-denominated assets have lost so much value, says Director of Research Daniel Yu.

MarketSpace, which manages about \$215 million in assets, serves high-net-worth individual investors and businesses, with a \$250,000 investment minimum.

"We're emphasizing with clients to come in for portfolio reviews," Yu says. "Financial planning is a living document that will change with time, so clients need to keep track and check back in regularly." (For a glimpse at how MarketSpace advised client Steve Mazer, see sidebar, at right top)

Some firms are drawing up entire strategies around risk reduction.



Retired dentist Jeff Watson, shown playing guitar, invests in ways that protect income in a market downturn.

New Jersey-based American Prosperity Group, which opened a franchise in Santa Fe this year, is marketing a copyrighted plan to protect individual investors. It includes a variety of insurance-backed investments, steps to reduce taxes and tax liabilities, insurance policies for health care and long-term care, and death and estate planning to safeguard inheritances.



Charnet

The company has 14 franchises in seven states with more than \$100 million under management. It plans to open 1,000 franchises nationwide over the next decade, including more in New Mexico, says CEO and founder Mark Charnet. The firm will work with people willing to invest as little as \$50 per month.

"Our plan is based not just on what to do about the recession, but how to prepare for the next round of bad news," Charnet says. "We protect clients in the long term. That's our claim to fame."

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Dentist's portfolio received a checkup

Before dentist Jeff Watson retired in 1999, he set up a retirement plan for himself and employees at his practice in Belen.

But Watson says investment strategies were "unwieldy," his bank-based certificates of deposit became too difficult to manage and he faced high tax liabilities.

Then financial planner Ralph Hicks stepped in.

Hicks put more of Watson's taxable earnings into tax-sheltered CDs and stocks to simplify management and reduce liability. He also protected Watson's investments with insurance-backed holdings that provide modest returns but protect principal and interest already earned.

That gives Watson peace of mind despite the recession.

"I'm not crying the blues like others," he says. - K.R.A.



Yu