

The Unexamined Portfolio

When the client is ready, the adviser will come

Mary Rowland

FOR YEARS FINANCIAL ADVISERS ACROSS the country have been listening to Roger Gibson speak at professional conferences and reading his *Asset Allocation: Balancing Financial Risk* (McGraw-Hill), the book that's become the gospel on how to diversify across asset classes. I've interviewed Gibson, president of Gibson Capital Management in Pittsburgh, at least a dozen times, talked with him over dinner at conferences, and even swapped stories with him poolside during a planning retreat.

Gibson comes across as the consummate financial professional: smart, honest, quick-witted. And private. So I was surprised when I heard that he had given a speech about his personal life at the Financial Planning Association's Retreat 2001, the conference held in Tampa in March. Surprised and intrigued. The speech, billed as "Gibson Unplugged," focused on how he had diversified his personal portfolio. As soon as I heard it was available on tape, I knew I had to hear it. Pronto. I listened to it at the gym, where it served as a perfect antidote for the ever-present macho guy talk.

Gibson's talk, it turns out, wasn't just about changing a portfolio. It had to do with the life planning we're hearing so much about in the financial-planning profession. And it showed just how subtle and complex that planning can be. Gibson described those complexities in very personal terms.



He has taken the warp and the woof of his life and woven them into a beautiful tapestry; he has sorted through his strengths and his weaknesses, trusted his instincts, and faced tough decisions head on. And he has come out of it a better money manager, a better father, a better person, and a better soul.

Gibson is nothing if not methodical. So when he sat down to prepare for his speech, he made lists of various aspects of his life, like "biggest challenges," "biggest mistakes," and "biggest rewards." What he quickly discovered was that he couldn't neatly separate the things that had happened to him. They were woven together. Indeed, he says, his life didn't really start until it appeared to be over.

That juncture came 15 years ago when Gibson spoke at the Institute of Certified Financial Planners 1986 retreat at St. John's University in Collegeville, Minn. Gibson had already begun working with multiple asset classes, and he saw that advisers at that conference were intimidated by the task of investing for clients. They seemed to feel that if they couldn't time the market, they shouldn't be accepting fees. They felt they were somehow frauds, pretending they knew how to invest. Market timing held the day. Gibson argued that no one can time the market and that the best investment strategy is to diversify across asset classes. His speech was a big hit. Many advisers felt relieved.

When he got home, Gibson felt so good about his business

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prospects that he bought his wife a large diamond as a 10-year anniversary gift. He followed up with a vacation in Maine, where she told him she wanted a divorce. He was blindsided. For the first time in his life, says Gibson, he felt ashamed. He didn't know what to do. When he and his wife returned home, they made arrangements to see a counselor, and Gibson went back to his office to try to sort things out, only to find that his assistant had quit. The divorce ultimately ate up his \$300,000 nest egg and then some. He was forced to sell his business partnership and set up shop in his home.

He felt he had come to the lowest point in his life. Now he believes it was his salvation. Had it not been for these crises, says Gibson, "I would have spent my life as a dead man. I would have been walking around, but spiritually I would have been dead."

Gibson rallied by using the things I would summarize as the three i's: instinct, insight, and intuition. Gibson is highly analytical. His work depends on scientific and mathematical research. But in his personal portfolio—and in his life—it was time to learn to go with his gut. For instance, he felt that his kids were losing out in the divorce process, so he decided to sue for custody. Everybody told him he was crazy: He would be supporting two households. How could he manage it? Still, he knew it was the right thing to do. Ultimately, he won joint custody, and the victory became a critical turning point for him. "I was Mr. Mom," he says. "It gave me a different kind of family life, a different kind of experience than I had ever had."

He also decided to write a book on asset allocation. Again, he found little support for his idea. Friends told him he couldn't afford to take the time, that he had to start bringing in the bucks. But again, he followed his instincts. In the end, the book solidified his reputation in the field.

The scope of the transformation Gibson has apparently undergone is startling. Growing up, he had been told that the world was a material place. You're here. You die. That's it. But that wasn't it for Gibson. He began studying depth psychology and Buddhism. He earned a black belt in tae kwon do. He even started playing his clarinet again. He diversified. He became a whole person.

I love Gibson's story. It's a wonderful example of how one person developed coherency in a life—how he, in fact, made a life. The subject hits home. The week before I heard Gibson's tape, I'd given a talk about how a woman can make it in the man's world of finance. I liked the topic

because, like Gibson, I had a story to tell. And, like Gibson, I was willing to tell it.

Man's world or not, I was a pretty unlikely candidate for success in the world of finance. Growing up I lived in houses without plumbing or electricity, even in an abandoned boxcar for a while. My family didn't own a portfolio of stocks. We didn't have a savings account. I'm not sure we even used the bank. Second grade was a one-room schoolhouse. How I got involved in finance isn't as important as the fact that by the time I did, I had already lost the coherency in my life—the wholeness—that Gibson developed only after his divorce. For me, the turning point came when I moved to New York. I was so intimidated by the yuppies with their trust funds and Ivy League educations that I just buried everything that was real about me and pretended I was somebody else. I became an empty Armani suit with a Bottega handbag and Prada shoes.

It wasn't until I was in crisis that, like Gibson, I began to untangle the threads of my life, pulling out the false ones then weaving together the ones that mattered. Into my world of accomplishment and success had come a serious illness for my daughter and an accident and major surgery for me.

I see two lessons here for financial advisers: the main job of a life isn't to plan for the kids' college education or for retirement. It's to become an individual, "the single one," as Danish philosopher Søren Kierkegaard wrote. It's a plenty big task, too. For Gibson it's taken 15 years, and I'm sure he would say he's not done yet. None of us ever is.

The second lesson is almost as complicated as the first. It's about the part an adviser may play in the transformation of a life. It's the notion of transformation that got me interested in financial planning's move toward life planning in the first place. Financial advisers develop intimate relationships with clients when they deal with money issues. That puts them in an ideal position to help clients address larger questions—about life's choices.

But how should an adviser approach such a subtle and delicate task? A couple of years ago, when I gave a speech at a meeting of the National Association of Personal Financial Advisors (NAPFA), we talked about life planning. One adviser told of having given a copy of the popular book *Tuesdays with Morrie* by Mitch Albom (Doubleday) to one of his clients because he sensed that the man was struggling with something. In return, the client gave him the cold shoulder. The client obviously wasn't ready to talk about what was

going on and resented the implication that something was amiss.

So it troubles me when I hear that life planners sit new clients down and ask them to trot out the pluses and minuses of their lives. Indeed, according to Bob Veres—publisher of *Inside Information*, a newsletter for financial advisers—a member of the Nazrudin group warned his peers that they will have to learn to recognize those clients who have trouble getting in touch with their core. These people “resist intimacy and keep the relationship at a distance and slightly adversarial.”

In this I think life planning is missing the mark. The odds are the client isn't hiding the fact that his life has gone awry; more likely, he doesn't even know it. I'll bet if you asked Roger Gibson 16 years ago about how his life was going, he would have said it was just great. On target. I probably would have thought the same thing about mine. I would have resented the prying and any suggestion that it was otherwise. Kierkegaard says that no one can teach another person how to become an individual, that it's something that cannot be imparted but must be experienced for one's self.

That makes a financial adviser's job incredibly difficult. He must be always watchful for issues that threaten to derail a client's life plan, alert for signs of unhappiness and dissatisfaction. But when he sees them, he must deal with them delicately, because the derailment, devastating as it is, may be the first leg in the client's journey to where he really wants to be.

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