

The New York Issue

The New York Times Magazine

OCTOBER 14, 2007 / SECTION 6



City Life in the Second Gilded Age

HOW MUCH MONEY DO YOU NEED TO FEEL WEALTHY HERE? (A MAGAZINE POLL REVEALS WHAT NEW YORKERS THINK) THE NEW-MONEY ARTS PATRON, BY JOE NOCERA WHEN WALL STREET GETS OUTSOURCED, BY DANIEL CROSS THE SELF-SEGREGATING SUCCESS OF SYRIAN JEWS, BY ZEV CHAFETS WHAT DOES A MEDICAL CONCIERGE DO, EXACTLY? (AND OTHER NEW WAYS TO SERVE THE RICH) DRESSED UP LIKE A SUIT, BY SHALOM AUSLANDER
ALSO: NEW YORK'S WEALTHIEST BLOCKS. GROUP THERAPY FOR MILLIONAIRES AND QUESTIONS FOR THE GUY BEHIND 'GOSSIP GIRL'



Where Everyone Knows Your Portfolio

An investing club for the very wealthy gives members a chance to share financial advice as well as hugs. By Gary Rivlin

At first Tommy Gallagher kept busy by answering phones for a suicide hot line. He taught personal finance and current events for a local center for the elderly; he enrolled in continuing-ed classes at the New School. “One day you’re on top,” Gallagher says. “The next you’re just the third guy on line at the Korean deli.” On 9/11, Gallagher was still a reigning prince on Wall Street, the vice chairman of CIBC World Markets, a major investment-banking firm. One month later, its offices (and business) having been damaged in the attack on the World Trade Center, he was fired. He was a millionaire many times over but also, at age 56, unemployed for the first time since he was a teenager.

“You lose everything when you lose your job,” Gallagher says. “Your whole social network disappears.” He read the newspaper front to back. He began training for the New York City marathon. Yet he remained stuck largely in a dizzying, disoriented state of existential confusion.

“I’d tell myself, O.K., I just ran eight miles,” he says. “And then I’d think, O.K., now what do I do with the other 22 hours in the day?”

Salvation came improbably in the form of a support group for

Gary Rivlin is a reporter for The New York Times. He is the author, most recently, of “The Godfather of Silicon Valley.”

Photography by Olaf Bleecker

multimillionaires called Tiger 21. Proving that he had at least \$10 million in the bank, the minimum needed to join, was easy enough: he had that and then some, as well as the equity he had built up in a place on the Upper East Side and a second home in the Hamptons. And he passed muster with existing members, who, like Gallagher, the Brooklyn-born son of a toll-booth operator, tend to be self-made. So in the spring of 2002 Gallagher wrote his first check for \$20,000 to cover the annual cost of belonging to a group that now operates 14 support circles for the superwealthy. “I was dying for some place I could go and share my angst and fears with other people,” Gallagher says.

That kind of sharing was not what Jake Jacobson sought when he joined Tiger 21 in 2004. Like Gallagher, Jacobson, a former partner at the consulting firm Bain & Company, had no problem proving he was rich enough to belong. Nor was he troubled by the annual dues, which had risen to \$25,000. These were business expenses, really, for someone who figured he was joining a kind of Beardstown Ladies investment club — only its membership wasn’t grandmothers from Middle America but entrepreneurs with tens of millions of dollars in the bank and a nose for deals.

“I was willing to join in the hopes that at the very least I would meet people who would become useful resources,” Jacobson says. “I was also hoping I would get a chance to look at some interesting money-making opportunities I might not otherwise have seen.”

He would not be disappointed. But with time, Jacobson, who was feeling isolated working out of his home in Cambridge, Mass., has come to appreciate some of the other benefits of sitting around Tiger 21’s conference table 11 times a year for eight hours at a time under the guidance of a professional facilitator. “When one is successful,” he says, “most people look at you and say, ‘You don’t have problems.’ In the grand scheme of things, I suppose that might be true, but it’s unhelpful. Because I still have to live my life, and I have problems.”

Certainly his fellow Tiger 21 members were there for him during a regular monthly session earlier this year, when Jacobson was beating himself up over a few bad investments. A dozen or so men sat around the table on the top floor of a handsome six-story brownstone steps from Fifth Avenue on Manhattan’s Upper East Side. One by one, they told him how happy and centered he seemed and how well he was doing financially, even though he had lost a few hundred thousand dollars playing the stock market during the previous 12 months.

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Then, after the last member of the circle had his say, one said, “We love you, man.”

That caused Jacobson, a stocky man with a round face, to redden. He pursed his lips and, in a little boy’s voice, said, “I love you too, smoochy.”

Tiger 21 was founded in 1999 by Michael Sonnenfeldt, a blue-eyed, Buddha-loving real estate developer from New Jersey. Then 43 years old, Sonnenfeldt had recently sold his real estate holding company for tens of millions of dollars. What was he supposed to do with all that money, especially in an overheated stock market? He might know plenty about putting together the financing on a big commercial development, but he didn’t feel he had the skills or knowledge, he says, “to take this large corpus of capital and redeploy it into a diverse portfolio.” Sonnenfeldt knew half a dozen men sitting on new-made fortunes. When all of them expressed an interest in meeting regularly, Tiger 21 was born.

Sonnenfeldt’s initial goals for the group are captured by its name, an acronym for the Investment Group for Enhanced Results in the 21st Century, and also by its *raison d’être*, which has not changed much since its founding, even if its core demographic now includes, to his delight, retired chief executives and some folks who are still active on Wall Street. Sonnenfeldt, a large man with closely shorn white hair and the paunch of someone who has done an enviable job of enjoying his wealth, had come into a small fortune years earlier when he cashed out a large real estate project while still in his early 30s, yet he had lost money on poor investments. He was determined not to make the same mistake again.

“We have a lot of people here who have been fantastically successful entrepreneurs,” he says, “but basically mediocre investors.”

New York, of course, is full of men and women who would happily — some might say greedily — help anyone rich enough to join a group like Tiger 21. The large investment banks, like Goldman Sachs and Merrill Lynch, have entire divisions dedicated to helping the wealthy manage their money. But advice tends to be expensive and also antithetical to the typical Tiger 21 member, a self-made entrepreneur whose net worth is between \$50 million and \$70 million and for whom jobbing out so essential a task seems to be almost an admission of defeat. By banding together, the 145 members of Tiger 21, who collectively have a net worth of around \$10 billion, according to the organization’s promotional materials, have ensured direct access to big-shot hedge-fund managers and their compatriots in the private equity world.

Yet shortly into the life of Tiger 21, Sonnenfeldt realized that the group needed to be about more than wisely tending to one’s stash of acorns. A man who has just sold his business for \$20 million is worried about preserving his wealth but also struggling with the prospects for living off less than \$1 million a year when, before the sale, he was spending \$3 million annually. Ne’er-do-well kids, nasty divorces, grasping relatives — Sonnenfeldt, a self-described seeker who has practiced meditation on and off

throughout his adult life, quickly realized he had to broaden the group’s scope. He had given an equity stake in Tiger 21 to Richard Lavin, an entrepreneur who had spent most of the previous decade running support groups for working chief executives. It fell on Lavin, who led the earliest groups, to create a format that allowed members to explore these more personal issues. The demand for this kind of thing has been so great that there are now nine circles or groups of 12 members each based in New York, and there is one each in Palm Beach, Miami, Los Angeles, San Diego and the San Francisco Bay Area. Additional groups are being formed in New York, San Francisco, Palm Beach and Dallas.

Tiger 21 meetings begin with what those inside the organization call the World Update. Though the label suggests a high-level discussion of international affairs — even if through the prism of each member’s global investments — the discussion, at least on the day I visited, focused mainly on each member’s travels since the last meeting. Myles, a financial adviser with great waves of gray and white hair, leaned back in his chair and, with arms crossed, started things off with the details about his recent trips, first to Cancun, then to India. Ziel Feldman, a real estate investor in his 40s, used most of his time to chronicle his week at a Four Seasons in Mexico. A former executive at a consulting firm read from a note card and described lounging around a resort in Jamaica, which prompted jokes about smoking spliffs on the beach. Others shared with the group tales of trips to the Virgin Islands, the Galapagos and Antarctica, among other far-flung destinations.

Investments made or investments being pondered was another big topic that morning, as were first, second and third homes. One member, who declined to be identified, told the group he had disappointing news: the new house wouldn’t be ready for at least another eight months. The generally prosperous-looking, all-male group around the table — 10 of Tiger 21’s 14 support circles have no women in them — nodded in sympathy while the ruffled speaker sadly accepted their support. Another member, a retired software executive who was calling in via speakerphone from Palm Springs, said he and his wife were trying to decide whether it made sense to purchase vacation property there, given how much they enjoyed the place. Apparently, several members were wondering the same thing, because suddenly the group was debating the merits of owning versus renting second homes in an uncertain real estate market.

It was approaching the lunch hour when a nebbishy-looking man wearing an off-the-rack gray suit was ushered into the room. This was the first of two presenters invited that day to pitch investments to the group. (The morning offering was open to those willing to invest at least \$500,000; the afternoon one required a minimum commitment of \$2 million.) The first presenter would not have to sell his fund very hard; over the previous decade he had earned annual returns of 21.4 percent from gas and oil pipeline partnerships.

“Hurry up and leave,” said Barry Kaye, a heavy-set insurance salesman who wore a bulky gold watch. “We want to talk about

you.”

Tommy Gallagher was among those who expressed his appreciation for the presentation of the pipeline partnerships. That prompted groans around the table. “Oh, no, the kiss of death!” one member cried out, eliciting a roar of laughter from the group. Earlier in the day, Gallagher mentioned that two of the investments he made in 2006 had been losers, though stocks generally performed exceedingly well that year. So all day his mates razzed him about his rotten luck — and, if anything, Gallagher only encouraged them, despite the impressive returns he has earned since losing his job in 2001.

“Sometimes a group needs a punching bag,” Gallagher told me later. “And for some reason, I was it that day.”

Technically, Gallagher belongs to Group 2, not Group 4. But in recent years he has been helping Michael Sonnenfeldt run Tiger 21 in exchange for an equity stake in an organization that imagines it might one day sell gold-plated medical plans and similar niche products to its members. So Gallagher, who attends four to six group meetings per month, vets new members and, more important, serves as a kind of role model for each support circle as it is forming. One critical component of every Tiger 21 meeting is the Portfolio Defense, which is when members hand out copies of their financial holdings to everyone around the table and brace for an hour or so of feedback. “A transformative experience that creates unparalleled bonds among members” is how Sonnenfeldt describes the Portfolio Defense on Tiger 21’s Web site. “After achieving a level of trust where they can talk freely about financial matters, members find personal matters easy to share by comparison.” Gallagher is the first member in each new support circle to submit to a Portfolio Defense.

“I’m the DNA carrier,” he says. “Everyone in the joint knows how much I’m worth.”

Yet intimacy tends to come easier to Gallagher than to most of his peers. When the man whose new house wasn’t going to be ready for months wistfully spoke of selling his business, Gallagher interjected, “It’s great — for three months.” But his fellow member was having none of it; as it is, he said, he devotes a large portion of his workday to his investments, and as a result, he feels he is shortchanging both his work and his portfolio. Gallagher pressed his view that there is more to life than playing with your money. It’s difficult finding meaning and structure in life without work. But rather than taking up the point, Jake Jacobson instead suggested that Gallagher might be better off devoting more time to his investments, given his recent track record. Again the group burst into laughter and the moment passed.

Perhaps Jacobson should have considered warning his cohort away from his investments. When it was his turn to submit to a Portfolio Defense, he only wished he had better news to share with the group. The year 2005 had been what he described as an “exceptionally good — and lucky — year”; his net worth had swelled 60 percent. But in 2006 his investments fell by 2 percent, largely because of a trio of stocks and a decline in the value of one of his real estate properties.

“My winners couldn’t offset my pukers,” he said.

The details of Jacobson’s holdings were spelled out in a dense handout that had been placed in front of every member. His net worth (he asked me not to reveal the exact amount) was in the

tens of millions, yet his spending had been equally prodigious. The living expenses for him and his wife alone exceeded \$1 million in 2005. Last year the couple spent \$687,000, not including the \$400,000 they gave to charity and \$2.6 million in taxes. He patted the belly straining his shirt and said he had been overindulging in good food and wines, neither of which, he offered, were doing his health or his bottom line any good. He had enjoyed himself in 2006, but he worried that he was not “smart enough to pick” the right investments.

“I had a really crummy year,” he confessed glumly.

But his fellow multimillionaires were unswayed. They went around the room, member by member, just as they had done after hearing from the visiting money managers and a lunchtime speaker, an economist. There was talk about bulking up his international holdings but more typical were the comments of Ziel Feldman, who told Jacobson: “I’ve been listening to you for three years. There’s a certain comfort level that I perceive that I haven’t heard before.”

Another member, Amnon Bar-Tur, whose exotic accent, Van Dyke beard and crinkly eyes give him the air of a count, said: “It’s very nice how you talk about where you are. We all want to be where you are.”

The exchange was sweet, even loving, but later I mentioned to Bar-Tur that the session with Jacobson had hardly been what you might overhear as a fly on the wall, say, at a group therapy session in a psychologist’s office on the Upper East Side. Jacobson mentioned that he was still buying and selling real estate, yet wondering if he should, as his wife has suggested, try disconnecting completely from the work world to see how it feels. “I’m starting to scratch that itch,” he told the group.

But the group summarily dismissed this idea. His comrades might have asked if a compulsion was driving him to continue to acquire properties. Or they might have engaged him in a conversation of what is enough. He had told the group that more than anything else, he wanted to enjoy life to its fullest, and sometimes he resented the constant intrusion of business on his daily life. Perhaps he was channeling his wife’s wishes rather than voicing his own — another subject ripe for discussion. But instead of raising this or other issues, his fellow Tiger 21 members offered Oprah-like affirmations that made him feel good but did not get to what seemed core issues.

Bar-Tur did not challenge this characterization. Men as creatures, he said, tend not to talk as easily about personal matters as women. A man can be a lonely character who hides behind his strength.

Yet don’t underestimate the value of what Tiger 21 offers, he said. For several years now, he has watched and listened as his fellow group members have struggled to share their lives with the group. The very act of giving a narrative shape to one’s life story, he said, not only helps the rest of the group better understand that person and his issues and priorities; it also helps the presenter focus on the rationale for decisions he has made and decisions he is considering. That level of depth means the group is uniquely qualified to challenge someone when he is veering off track or dreaming of something that from the perspective of one or more members of the group could prove disastrous.

“A place where you can share your personal challenges and have a really wise group of people who really know you give you their views is a very rare thing in life,” he said. “And it’s worth a lot. I’ve seen it where the advice we’re giving someone is literally worth millions of dollars.” ■