

WEALTH MANAGER-Millionaire support group skeptical of advisers

By Helen Kearney

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NEW YORK, April 30 (Reuters) - Financial advisers aiming to recruit members of a self-help group for multimillionaires called TIGER 21 should be afraid, very afraid.

An exclusive club whose members must have at least \$10 million in investable assets and pay \$30,000 a year, TIGER 21 is a veritable beehive of skepticism about the industry that wants to get its hands on their money.

"Most of our members think 25 percent of advisers are talented and add value, but the other 75 percent are primarily motivated by their own gain," the group's president, Jonathan Kempner, told Reuters. "In TIGER 21, members help each other identify those 25 percent."

Members of TIGER 21, or The Investment Group for Enhanced Results in the 21st Century, get their advice from a gold-plated roster of guest speakers: billionaire corporate raider Carl Ichan, Blackstone Group (BX.N) Chief Executive Stephen Schwarzman, oilman T. Boone Pickens and money management giant Jeremy Grantham have all appeared at group meetings.

The group was formed over a decade ago by Michael Sonnenfeldt, then a 43-year-old real estate entrepreneur who had recently sold his business and felt he did not have the necessary skills to protect his windfall.

"I spoke to advisers, brokers and lawyers, but I felt that everyone had something to sell me ... they were just concerned about which of their products fit my particular challenge," he said in an interview.

Sonnenfeldt had previously been a member of a CEO group that met monthly to swap ideas on management, and he recruited fellow members who had also sold businesses to start a group that could support them through the next stage of life.

"I really just wanted to get a community of peers into the room to have an open, honest conversation," he said.

TIGER 21, which started in New York, now also has multiple groups in Miami, Dallas, San Diego, San Francisco and Los Angeles, and expects to start a group in Washington, D.C., in May. There are 12 to 14 members per group.

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The idea is wealthy businessmen have a lot of knowledge to share about the markets, investments and other issues unique to the rich. Members discuss family issues, raising children to deal responsibly with wealth and donating to charities.

"It's difficult to discuss issues of wealth with friends or neighbors," said Los Angeles-based member Mark Kress. "In this group I can see how other people with wealth live and how they deal with generational issues."

Each month, one member of the group gives a “portfolio defense” laying open his or her entire portfolio of investments for other members to examine.

Kress, founder of a company that makes treatments for hair loss, recalls that his first portfolio defense was “brutal.”

The other members told Kress he had too many small investments to keep track of, and he would only get a mediocre returns at best.

At the time, Kress had two financial advisers, one at Merrill Lynch & Co and another at Bear Stearns Cos. He said the advisers were aware of his investments outside of their individual firm but did not seem very interested in them.

“I felt their emphasis was on their own products and they weren’t totally serving my needs,” he said. “And there was a lot more emphasis on buying than selling.”

Kress now uses a family office adviser recommended by other members of the group and is pleased with his performance.

Tommy Gallagher, a former senior executive of Wall Street brokerage Oppenheimer & Co, is even more skeptical of advisers.

After a 40-year career on Wall Street, starting out as a runner at the New York Stock Exchange and rising to vice chairman of Oppenheimer, Gallagher, 65, said that since retiring in 2001 his main job is managing his own money.

“I don’t think financial advisers are demons, but you have to remember they are being compensated by putting you into certain asset classes and, for the most part, they don’t have a full understanding of your portfolio,” he said.

Gallagher uses a number of money managers, whom he selects himself. He has a significant investment with James Belcher of Balestra Capital, whom he met when Belcher was a guest speaker at a TIGER 21 meeting and he shared his doubts about the stability of the subprime mortgage market.

“I chose him because he sees the world in a similar fashion to me and he knows how to make money in those conditions,” he said. Gallagher says that Belcher’s bet against subprime largely shielded his portfolio during the downturn.

And if you impress a member, the payoff can be huge.

“There are a handful of advisers who have 10, 20, 50 TIGER members as clients. They started with one happy client who introduced them to the group,” said Sonnenfeldt. (Reporting by Helen Kearney; Editing by Steve Orlofsky)

