



Managing Money for the Wealthy

Introduction

A recent writing assignment required I do some research on investment management for wealthy families and endowments. Poring over a listing of endowment funds, I noticed one of the top quartile performers in recent years was the City of Hope, the massive medical research and treatment campus located near Los Angeles.

That grabbed my attention because I had spent many hours at COH a couple of years ago with a family member who suffered from renal cancer. I rarely include personal information in these interviews, but my experience at COH was a remarkably positive one, despite eventually losing my daughter-in-law to the disease. During her visits there, the warmth, professionalism and positive attitude I saw in virtually everyone I encountered there made an unforgettable impression on me.

Upon inquiry, I learned one of the driving forces behind COH's endowment performance was investment manager Stephan Tow, founder and CEO of Tow Financial Advisors in suburban Los Angeles. Shortly after, I had the opportunity to sit down with Mr. Tow for a chat about his involvement with COH. Like so many people I've interviewed who give back, Tow was reluctant to discuss his personal contributions to COH (and, it turned out, to other charities as well), preferring to talk about the facility's dedicated personnel and medical achievements. It proved to be a fascinating interview, which I now share with you.

The Interview

Mitchell: You've been a financial advisor since the 1960s. What experiences have had the greatest impact on your career?

Tow: That's a difficult question to answer; there have been many. To start with, I was very fortunate to begin my career with back in the 1960's with Connecticut General. They were pioneers who had the only comprehensive estate planning program in the country at that time. Their process was cutting edge, having been refined over two decades, and ultimately became the model for the explosion of the financial planning market that followed in the succeeding decades.

CG hired smart, educated people. They had attorneys that help train us and we were in class every week for five years. I received the equivalent of a Masters degree in finance and estate planning. I became one of their leading producers in my first full year at age 27, getting to know the owners of hundreds of family-owned

businesses all over Southern California. But while CG's methodology was outstanding, their products were weak and I knew my clients needed better.

Mitchell: So you started your own firm?

Tow: After a few more years rounding out my experience and knowledge of financial services, I founded Executive Planning Corp (EPC). Over the next few years, we grew to 40 employees. We recruited top people in planning, employee benefits and investment management and expanded into the first fully integrated financial services company in Southern California. We were able to do complete financial and estate planning as well as sophisticated investment management, from soup to nuts. No one locally had offered that range of services previously.

Mitchell: What happened to that company?

Tow: My wife became gravely ill and I chose to sell the business in order to take care of her. Sold the firm to a NYSE-listed company. It was a difficult time but absolutely the right decision. She recovered and I never had a moment's regret over the choice I made. I am lucky to have her by my side.

Mitchell: What prompted your interest in charitable work?

Tow: I remained active in planning and investment management for business executives and wealthy family clients. These are some of the most successful people in the area, many of them owners of privately held family businesses, including real estate developers. Typically, they were in middle age when they first became my clients. Now in their 80's and 90's, many are still clients today, although now I also help their children and grandchildren as well. Most of these people are active in charities, churches and temples or have their own foundations.

Back in the 1970's, one of my clients, Allen Ziegler, convinced me of the importance of giving back to the community. He was major contributor to literally dozens of charities in the Los Angeles area, including USC, City of Hope and the United Jewish Welfare Fund. He not only gave, he was often the largest contributor to the many charities he supported. As owner of Westco, the largest bakery supply company in the western U.S. and having no children, Allen and his wife Ruth gave away millions every year. Allen died in the 1990's but Ruth continues to donate several million annually. She is an incredible woman.

Allen's example help motivate me to get involved. Initially, I became active in Vista Del Mar Child Care Services in the 1970's, eventually becoming president of their Men's Associates. Later, I joined the Board of Guardians of the Jewish Home for Aging, and helped raise money for a few other charities.

Mitchell: When did you get involved with the City of Hope?

Tow: Around 1995 I believe. After seeing the remarkable strides COH was making, I decided to devote all my charitable efforts to cancer research. A few years after I became involved, they asked me to serve on COH's

national board and a year later, to chair their investment committee. We were able to boost the endowment from roughly \$100 million to almost a billion in eight years, and were in the top quartile of all endowment funds in the country. Nothing in my life makes me feel more proud than helping COH.

Life sometimes takes us in unexpected directions. When I got involved with COH fifteen years ago, I had no idea that my sister would get breast cancer, my mother would die of cancer, my nephew would get Leukemia or my wife would come down with stage II breast cancer. I can only guess God wanted me there at COH to do my small part raising money and helping manage the endowment fund. The hospital has achieved so many cancer breakthroughs; so many people have been helped. It's a privilege to be associated with the great people there and to contribute what I can to their progress.

Currently, we are in the middle of a \$1 billion capital campaign that will culminate with COH's centennial celebration in 2013. I'm honored to be on the National Committee working to meet that capital goal. It's really a joy and I get to work with some of the brightest and most influential people in the country. I also serve on the Advisory Committee for The Graduate School in Nonprofit Studies at the University of Judaism, a non-sectarian graduate degree for nonprofit professionals. I teach a class on investing there as well.

Mitchell: You were also instrumental in creating life settlements. When did you do that?

Tow: I was at a conference back in 1988 where I heard about viatical settlements. People with group life insurance could get cash for their policies if they had less than six months to live. At the time, I had a client who was in failing health and could no longer afford the premiums on his two million dollar life insurance policy. I secured a meeting with the president of CNA's Viatical Settlement's division and proposed a comparable product for people with individual policies. They agreed and we decided to call the product Life Settlements. I introduced it to several industry networking groups, including Barry Kaye, the M Financial Group and First Financial Resources. CNA then opened the market to their reps. Unfortunately, there were some unethical people who later tarnished the product's reputation and so I disassociated myself from it.

Mitchell: Tell me about your current company, Tow Financial Advisors.

Tow: I had been managing significant money ever since my first pension plan client with 200 employees and over \$1 million back in 1970. That probably translates to about \$25 million in today's dollars. I was still in my twenties back then and having that level of investment responsibility was unusual. I worked with some other bright advisors and we ran a balanced portfolio for 20 years, doing exceptionally well. I also managed money for some families and business owners and wanted to grow that business. I realized I would need some top-level investment management talent to help support the growth. I was very fortunate to find two exceptionally bright financial professionals with skills that complemented my own.

We crafted a business model that targets the sophisticated investment needs of wealthy families and privately held business owners. We are not trying to build a large roster of clients. We only accept clients with a minimum of one million dollars of investable assets. We work best with them and can do the most for them.

Mitchell: Given your workload and extensive involvement with charities, how do you find time to stay abreast of changes in the financial markets?

Tow: I have always been a voracious reader. I find time most evenings to read for a couple of hours before retiring. Over four decades, I developed a habit of continuously studying investments and the markets. I always wanted to know more about financial-related topics than anyone else. When some of the hedging and other sophisticated strategies became so complex, I could no longer do that, I searched for someone who could. I recruited Paul Sanford, a brilliant young investment manager from Deutsche Bank Private Bank, who understood the complexities of those strategies, was right on top of new developments, and could bring new investment ideas to the firm.

I believe what we are doing now, in terms of asset management and duration strategies, is superb. I expect we will come through this lingering period of market uncertainty stronger than before. I base that on the fact we have rarely lost a client during the past three years, and I doubt many investment management firms can make that statement.

Mitchell: One thing that strikes me is your absolute confidence in your organizational structure and investment management competence.

Tow: I guess that's true. We have such a talented team in place and an investment management approach that meets the needs of our wealthy clients. It's really easy for me to be confident.

On a personal level, I'm a lucky individual. I grew up around successful people. My parents made certain I was comfortable meeting their friends, who were primarily successful entrepreneurs: business owners, attorneys and other professionals. I acquired an entrepreneurial mentality early in life and my father taught me to think strategically and to plan for any eventuality. He's 91 years old now and amazingly, he's still thinking about his future and what he wants to do. I hope I'll have the same attitude if I'm still around a quarter century from now.

Michael Mitchell is an independent financial writer based in San Diego.