

A Fool and Her Money

THREE THINGS IN LIFE ARE INEVITABLE: DEATH, TAXES AND THE INVESTMENT ADVISERS WHO SWOOP DOWN AS SOON AS YOU'VE COME INTO SOME CASH. I KNOW—I LEARNED THE HARD WAY



✘ MY MOTHER AND GRANDMOTHER SAVED HARD TO LEAVE ME AN INHERITANCE. I BLEW IT BY BEING CARELESS.

In my family the men spent and the women saved. While my father pursued his business ambitions attired in Petrocelli suits and drove a garish succession of Cadillacs, my mother and grandmother squirreled away pennies to purchase the United States Savings Bonds that would be my first nest egg. Three decades later they would give me another: their estates.

Growing up in a dreary New Jersey suburb, I had neither my father's flash nor my mother's dutiful sense of thrift. To me, money, when I considered it at all, could only mean escape. As a restless adolescent fired up with '60s ideals, I used the bond stash to finance my early sojourns abroad. By age 20 I had studied and traveled in two dozen countries, yet I owned nothing but a few scraps of junk-store clothing and a Mamiya Sekor camera.

Then my father's business failed. Overnight the tail fins and pricey threads dematerialized, and with them went the peacockish self-confidence that had enabled my father to build his wealth.

Sobered, I thought long and hard about how I would earn a living. My mother and grandmother's advice at the time seemed like a bad joke: "Marry a rich guy" was their mantra. But I snubbed their fairy-tale prince. I embarked on a course of study that would culminate in a master's degree in international management and a frenetic career as a corporate-level executive for Hilton International Hotels. Before long I was earning more money than I had time to spend. By default, I began to save.

Not that I did so consciously or well. The money simply piled up in savings accounts until an uncle who was an accountant suggested a mutual fund. Over time my nest egg grew, not as much as it could have, but enough to reinforce my indifference toward personal finance. Although I monitored million-dollar budgets in my work and scrupulously minded my employers' assets, my own lay

BY GERMAINE W. SHAMES

PHOTO: WILLIAM DUKE



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neglected. Financial statements would arrive in the mail, but I was too busy to even open the envelopes.

During the '90s, my parents' health began to deteriorate. Watching my loved ones fight for their lives redoubled my resolve to live my own fully, authentically. I had always wanted to write, and now was the time. I left my job, dipped into my savings, pared-down my possessions, and secluded myself in a rural hideaway with a high-speed computer and the complete works of Henry David Thoreau.

My parents and grandmother held on long enough to see me establish myself as a journalist and publish my first two nonfiction books. Then all three passed away in the space of one year. My father died as he had lived: in debt. My mother and grandmother left behind two inheritances, spread among a wide assortment of CDs, stocks and mutual funds. The pennies had multiplied thousands of times over, and I found myself with more money than I had accumulated through my dozen-plus years of corporate toil.

But puzzling out their portfolios, especially in the face of all that grief, was more than I could bear. A personal banker I vaguely knew took me by the hand to meet the branch's investment representative. An older woman with a maternal affect, she began poring over my financial statements, urging me to sell off my more conservative holdings in favor of growth funds invested heavily in—you guessed it—technology stocks. The funds she favored were expensive, carrying inflated share prices, high fees and renegade expense ratios. At first, I resisted. Not because of hard data (she provided none) but a gut feeling. Then she started calling me at home. Several months on, worn down by her badgering, doubting my own judgment and still mourning,

I made the trip to her lair and signed the papers.

What happened next is history: the worst bear market since the '70s, with tech stocks leading the crash. Having made a cult of fiscal disregard, I was slow to grasp the magnitude of my losses, and then I was stung senseless. Queasy, I pored over my back statements myself and was stupefied by what I saw: unauthorized trades, churned commissions and dwindling assets. As the shock faded, I asked myself, "How could I have let this happen?"

Several months on, worn down by her badgering and still grieving, I signed the papers.

There was no simple answer. Too much trust? Too little savvy? I thought of my mother's worn sofa, my grandmother's shabby sweaters, the passed-up purchases of good china or jewelry that had allowed them to leave me a generous inheritance. And now it was gone, or nearly so.

If it took me the rest of my life, I vowed I would build it back. For all my insouciance, money had proved a staunch ally, affording me freedom, independence and broad horizons. I would open them wider still.

I set out to learn everything I could about investing. For months I haunted financial Web sites. The challenge was not finding tools but homing in on those that best matched my philosophy and investment style, which is rooted in my personal and social values. Books offered a depth not easily found online. From basics such as *Charles Schwab's Guide to Financial*



Independence, I gravitated toward the classics of value investing, beginning with Benjamin Graham's *The Intelligent Investor*. Research confirmed what I already suspected: By soliciting trades that were unsuitable, my broker violated rules laid down by the National Association of Securities Dealers. I withdrew the remains of my assets from the brokerage firm and vowed never again to let anyone come between me and my money.

It was hard to fathom how a certified professional could so cavalierly decimate a portfolio. Needing advice, I called Christopher Tovar, an attorney with Shepherd, Smith & Edwards, a firm devoted to securities law with offices throughout the U.S. What began as a legal consultation soon branched into a swapping of stories.

Chris had come into an inheritance of his own after graduating law school. No sooner did the lid close on his relative's coffin than stockbrokers began to call. The experience prompted his career shift: He became a broker for a major house. "I spent the next couple of years getting a glimpse of how the industry works," he told me. "The emphasis is on 'moving the money,' getting people to buy and sell securities. A lot. They may as well have been telemarketers," Chris summed up, "just better dressed."

Many of the people who contact Chris's law firm have lost an inheritance through some form of broker misconduct. In his experience, at least half are women over 40, and many have recovered their losses through arbitration. I decided not to sue my broker, which would have consumed too much of my time and energy. Instead I chose to focus on recouping my finances.

But here's the real lesson: If you've come into an inheritance or expect



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to, hold on to it. Put the money in a certificate of deposit or high-interest savings account until the worst of your grieving has passed. For help, visit a certified financial planner. But pay a fee, not a commission.

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My story doesn't end here. In a sense it is only beginning. At age 50 I am rebuilding the gift passed on to me by two generations of women who knew the value of tenacity. Checking the Dow or sifting through the stock alerts and annual reports in my in-box has begun to feel as natural to me as changing my shoes. Back when even balancing my checkbook was too great a nod to materialism, I could not have imagined spending an hour each Monday glued to a screen filled with streaming stock and bond quotes.

It took losing an inheritance to make money real to me, and investing to uncover my innate aptitude for growing it. At the rate my account balances are rising, I will have the amount of my inheritance back within five or six years—and with it the satisfaction of having proved myself worthy of the gift.

Whenever the markets tumble or a trade goes sour, I picture my mother and grandmother cheering me on. They had dreams for me. With my recent novel getting good reviews, I may already be living the brightest of them. Once death has shown us the measure of our lives, what is money truly about, if not dreams? **M**

IF YOU INHERIT

The shock of sudden money can be thrilling but also daunting. Susan Stewart, an attorney and the president of Charter Financial Group in Washington, D.C., tells you what you need to know.

IN THE BEGINNING, DO NOTHING other than moving assets into your name. But don't buy or sell any stocks, mutual funds, CDs or real estate immediately. Decline offers of investment help until you know what you are doing. You may need a lawyer to help re-title real estate, or you may need a tax adviser if you inherit a nonspousal IRA, for example.

EDUCATE YOURSELF. Whether you handle your own portfolio or hire someone, have some knowledge of how investing works. There is plenty of good advice on www.motleyfool.com, a site which also seeks to expose the pitfalls you face. Many Web sites offer free asset allocation tools, including www.ishares.com and www.vanguard.com. If your inheritance is large, it may be held in a trust that has been managed for years by a family adviser. The Center for Fiduciary Studies, which began at the University of Pittsburgh, offers seminars and help on how to analyze a trustee's performance. Its Web site, which offers sample questions to ask, is www.fi360.com.

INTERVIEW INVESTMENT ADVISERS and pay close attention to how you'll pay for services. What should you expect when you meet with an adviser for the first time? A good

financial counselor will interview you to establish your investment profile. You'll be asked about your risk tolerance, how long you intend to keep the money invested and whether you'll need to generate income. Walk away if you aren't taken seriously. Experts say that women can encounter patronizing attitudes. Often the adviser ignores the woman when couples seek advice. Single women are sometimes dismissed as not being serious investors.

CHOOSE A FEE-ONLY FIRM, not one that is commission-based. You want your adviser to make money when *you* make money, not when you trade stocks. Beware of those that sell mutual funds that appear to be commission-free but that carry a back end load, a fee charged when you sell.

NEXT, CONSIDER PAST PERFORMANCE. It's no guarantee of future results, but it's pretty much the only objective reflection of portfolio management expertise. If someone cannot show you a proven track record, it means he or she is a salesperson and not a manager. Check out your adviser's record at www.nasd.com. You'll want to know of any legal proceedings or disciplinary actions. The SEC also maintains a Web site that allows you to check credentials. Go to www.sec.gov, and click on "Investor info" on the left margin and then "Check out brokers." There you'll find tips on researching the background of brokers and advisers.