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## Growth Draws Investors Into Volatile Markets

# Asset Management for New Economy Millionaires

BY ANTHONY VITIELLO

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The growth of personal wealth among the young, driven by the New Economy, is affecting the nature of retirement planning.

The youth culture driving the technology boom is creating many millionaires under 40 years old. While still quite far from retirement age, some of these young millionaires are demonstrating sound judgment in managing their assets and planning for their future financial needs.

Unfortunately, many more are not placing enough emphasis on the virtues of long-term asset management and run the risk of being destroyed by the very financial forces that created them.

On the other hand, perhaps more surprisingly, those whose retirement from the career world looms more closely on the horizon are integrating the tremendous returns offered by the telecom, media, technology, or TMT, stock boom to change the rules of sound investment planning.

What lessons could the new rich take from the book of the old guard?

### •Conventional Wisdom Changes

The new rules seem to run counter to what was, until recently, the conventional wisdom. Traditionally, retirement planning was defined by conservative and formulaic programs aimed at people during the latter years of their careers.

At least, this has been the popular perception. However, as the TMT juggernaut continues to lumber forward, conventional wisdom is changing. In the past, a generally accepted strategy for a middle-aged investor was to eschew a portfolio heavy with growth stocks in favor of more stable, modest-earning bond or blue chip investments.

Before the dawn of the tech revolution, investment in more volatile markets seemed attractive to only younger investors who, by virtue of their age, possessed higher risk tolerances. The tremendous growth and projected continuing growth of the new economy is drawing young and old alike into more frequent investment in volatile areas.

Part of the problem facing the neophyte millionaire is that he often has a more limited perspective on the nature of the market than that of generations approaching retirement today.

Many young tech moguls are content to have the majority of their assets tied up in stocks from the companies they founded or work for. Lacking the seasoned market perspectives of their 50-plus counterparts, today's young investors are products of a time when such practices are no longer sustainable.

Today, diversification is more essential than ever. Not the old idea of diversity which includes a healthy dose of bonds or blue chips, but a diverse portfolio of growth stocks, tech and others.

While the tech market is volatile, over the long run, it will continue to demonstrate overall growth, despite the radical fluctuations which scare many out of the game. Younger investors would do well to maintain portfolios as diverse as they are heavy on the growth side.

### •Accepting Risk Before Retirement

Interestingly, while one might expect marginal participation in high-risk investment areas by those people closer to retirement today, many brokers report that this is not the case.

Anthony Napple, a senior investment advisor with San Ramon, Calif.-based Valentine Capital, a high net-worth asset management and tax strategy firm alongside the Silicon Valley, says, "The older guys are embracing the amazing growth opportunities generated by the tech boom. It may have taken these guys longer to amass their pool of inevitable capital, but they are not excluding themselves from participating in the new economy."

Napple knows that it is never too early to structure your finances to optimize yield.

"With the proper financial management, these high net-worth 30- or 40-somethings could be living a semi-retired lifestyle while still enjoying growth and security in their investments for their eventual retirement," Napple said. "Easy come, easy go, is an old axiom that has never been truer than it is for today's overnight E-tycoons and those aspiring to be."

He recommends to young, wealthy, prospective clients, an aggressive plan built upon diversification of asset classes and comprehensive tax strategies.

"Structured properly, these young men and women can invest the several million dollars they earned through their tech stock options and generate enough income to support a pretty interesting lifestyle while also growing a secure base of equity for their inevitable retirement," Napple said.

### •Success Comes Easily To GenXers

Financial success has come relatively easily and much more rapidly to the growing numbers of GenXers and 30-somethings sporting multimillion-dollar bank accounts. Especially in contrast to the years of slow and steady career building undertaken by the older generations.

Before you turn green with envy, consider that the phantom fortunes generated by the upstarts behind every "next-big-Internet-thing" tend to vanish quickly as they materialized.

Just ask Toby Lenk, founder of eToys. According to *Fortune Magazine's* "40 Under 40 List," a list of the wealthiest 40 men and women under 49 years old, Lenk, who is 37, lost \$234 million of his net worth in just one year's time as the value of his eToys stock plummeted.

Or consider 30-something Scott Blum of the

failed B2C company, Buy.com, who lost \$1.2 billion over the last year.

It is true that Lenk and Blum are young and have time on their side as they work to recover some of their losses, but prudent tax planning and a diversified asset management plan, even at the earliest juncture, could have produced enormous savings and growth benefits for these individuals.

With an increasing number of people under 40 who are earning into the millions, a new breed of investment strategy has emerged to address the specific needs of this growing demographic.

Because the emphasis on retirement planning has always tended to fall upon those closer to retirement age, many of the young and wealthy feel as though this is a concern which they can afford to worry about later in life. Progressive asset management companies are redoubling efforts to focus on ways they can cater to the financial positions of the young rich.

Many of the young and wealthy are in the enviable position of being able to enjoy the fruits of their success in the midst of their youth. Financial companies with an eye toward the future are shifting gears to address the unique needs of the young and rich.

Instead of calling it retirement planning, a term often associated with aging, they are positioning their services to this sector as asset management and tax-efficient portfolio management. The retirement goals of the older generation vary somewhat, but most people envision a retirement which allows them the financial security and stability to indulge in their favorite personal interests.

Beyond having the financial wherewithal to cover health, cost of living and other related expenses, people want to be able to pursue the interests they postponed to fulfill their career and family goals.

The rewards of a lifetime of work should allow a person to buy that sailboat they have always dreamed of, or to perhaps build the woodworking shop of their dreams, while others still look forward to having the ways and means to travel the globe.

In the case of the young and successful, the rewards of the mushrooming technology sector are enabling people to live their choice of lifestyle earlier. Whatever the individual retirement dream, the viability of the dream impinges on the way the individual manages the money he or she earns over the productive working years.

*Anthony Vitiello is a nationally published writer and president of Anton Robb Consulting. Anton Robb provides media and public relations consulting to many financial professionals including Valentine Capital RPG.*