

# The value of advice

By CHRIS SERRES, Staff Writer

When a potential client recently called Edward D. Fulbright bemoaning the loss of 40 percent of his retirement savings in the stock market, he was looking for a way out of the mess.

Fulbright, a financial adviser and accountant from Durham, politely declined after the man said he expected a 15 percent annual return over the next decade. "I enjoy challenges, but I can't pull off miracles," Fulbright said.

Fulbright can afford to be selective. Month after month of stock market turbulence and corporate scandals has investors anxious about the safety of everything from their children's college funds to their retirement portfolios. And many are turning to trained professionals -- brokers, financial planners and investment advisers -- for guidance.

Despite the stock market's downward spiral, the ranks of registered brokers in North Carolina has grown 21 percent to 122,654 brokers from 101,344 brokers two years ago, according to the N.C. Division of Securities. Investment advisers, who struggled to attract new business during the mid- to late 1990s, when "do-it-yourself" investing was in vogue, now report long waiting lists for new clients.

For the first time in years, "Now Hiring" signs are hanging outside many local brokerage firms. Edward Jones plans to nearly double in size, from 75 brokers to 135, during the next three to five years. Capital Investment Cos. of Raleigh plans to add 15 to 20 brokers next year to its 160-broker firm.

"Two years ago, no one needed a broker or adviser," said Steve Richards, an investment representative with Edward Jones in Chapel Hill. "They could throw money in an index [mutual] fund and watch it grow 30 percent. ... Now, people are rediscovering the value of advice, and they're willing to pay a reasonable fee for it."

But clients are also demanding more. With many stocks and mutual funds off 40 percent or more since March 2000, clients want information on alternative investments, from municipal bonds and preferred shares to commodities and hedge funds.



Roger and Bobbie Strickland listen to Donna Winbon of Edward Jones. Winbon schedules face-to-face visits with clients who have questions about their portfolios, something she has done more since the downturn.

*Staff Photo by Ethan Hyman*



Janet Fox-Kreielsheimer contacts each of her 250 clients every three months and has been working long weeks for the past 2 1/2 years. Good, open communication with clients is key, experts say.

*Staff Photo by Harry Lynch*

They're also more aware of taxes and fees.

"If all you know is stocks, then you're going to get whipsawed," said Richard Bryant, chief executive at Capital Investments. "In this market, you've got to be able to communicate with people on more than just one level."

At Berthel Fisher & Co., brokers are spending at least four hours a week in the classroom. Merrill Lynch is inviting some of its local clients to "Due Diligence Lunches," in which they can discuss the market with some of the nation's largest institutional money managers. And brokers with Edward Jones are fanning out in local neighborhoods, conducting face-to-face portfolio reviews with clients they haven't seen in years.

Since the market began its decline 2 1/2 years ago, Janet Fox Kreielsheimer figures she has been working 60 hours to 70 hours a week to soothe investors' frayed nerves. The financial consultant and broker with ACH Investment Group of Raleigh contacts each of her 250 clients once every three months by telephone or through the mail. And each month, she cranks out an investment newsletter.

Kreielsheimer will fax urgent notes saying things such as, "Please call me!" to clients who haven't returned her persistent telephone calls. "Times being what they are, my biggest fear is that one of my clients will do something rash, something that [he or she] will later regret," she said. "Which means I'm constantly thinking about new ideas and how to make this market palatable to my clients."

Stock brokers know they are battling an image problem. A recent poll by the Securities Industry Association found that investors' opinions of the brokerage industry hit an eight-year low in 2002, as markets plunged and corporate scandals erupted. Only 55 percent of 1,500 respondents said they had a "very" or "somewhat" favorable opinion of brokers, down from 62 percent last year and 85 percent when the survey began in 1995.

Brokers are trying to win back customers such as Ozell K. Beatty, 81, a former biology professor who is now retired and living in Raleigh.

A year ago, Beatty decided to make his own investment decisions after his stock broker recommended two mutual funds that have since plunged 60 percent. The broker also recommended that he buy stock in Red Hat, says Beatty, when it was trading at \$21 a share. It has since fallen to less than \$5 a share.

Beatty doesn't object to the recommendations -- "They all looked good at the time," he says -- but says the broker never returned telephone calls when he wanted to discuss other



From left, Gina Wilson, Dick Wilson, Elaine Pace and Celeste Manley listen to a talk by Edward Jones' Jeff Golliher.

*Staff Photo by Sher Stoneman*

### RETURNS

Despite market declines, investors continue to expect unrealistic returns from stocks.

\* Expected return\* \*  
Actual return\*\*

33%	-10%	18%	-13%
13%	-24%		

2000 2001 2002

\*Based on a survey of 1,500 individual investors, \*\*Based on the Standard & Poor's 500 Stock index through Nov. 11

SOURCE: SECURITIES INDUSTRY ASSOCIATION

investments, such as bonds and real estate. Beatty said he called the broker after the Sept. 11, 2001, terrorist attacks, hoping to have a broad discussion about his investment alternatives, but the broker simply rattled off a list of some stocks that "looked cheap."

"I believe some brokers have some real expertise," said Beatty, who preferred not to identify the name of his former brokerage firm. "But in this case, the message was always the same: 'Buy, buy, buy.' I don't think they ever called me unless they had something to sell."

Indeed, communication remains a key concern with brokers. In the SIA survey, 81 percent of investors said brokers were not doing a good enough job educating the public about how to make good investments. That was up from 78 percent in 1999.

For the past decade, Sharon Whitlatch of Raleigh has been a loyal customer of the brokerage arm of Bank of America. But last month, the real-estate broker grew concerned about one of her mutual funds and called her broker looking for advice. Three days later, after losing another \$3,000, the broker called her back and suggested selling the fund.

"I suspect they are returning the calls in the same amount of time that they used to," said Whitlatch, 40. "But when the market is this volatile, it just seems longer. The stakes are that much higher."

Terri Bolling, a spokeswoman with Bank of America, declined to comment on Whitlatch's complaints, but she said the bank attempts to respond to all client questions within 24 hours.

Many local brokers are going out of their way to maintain contact with their clients.

Last year, Donna Winbon, a broker with Edward Jones in Raleigh, began making telephone calls to each of her 400 clients in the area. When she finds a client who seemed upset about the performance of his or her portfolio, she immediately schedules a face-to-face interview to discuss the person's investment plan. "Most of the time, people just want to talk things out," she said. "It makes a huge difference."

One of the toughest challenges brokers still face, even after market declines, is convincing clients to moderate their expectations. This year, the average investor expects to make a 13 percent annual return from the stock market, even though the Standard & Poor's 500 Stock Index has already fallen 24 percent, according to SIA. Last year, investors said they expected to make 18 percent, and the S&P fell 13 percent.

"Telling people that they expect too much is one of the toughest things we do," said Tom Landsittel, vice president and manager of the Raleigh office of Scott & Stringfellow, the brokerage subsidiary of BB&T, a Winston-Salem-based bank.

Jim McDavid, a 65-year-old insurance salesman from North Raleigh, believes brokers don't get enough credit for talking their clients out of poor investment decisions. Earlier this year, McDavid was eager to purchase shares in a small California bank, after he saw pundits on CNBC raving about the bank. But his broker at Merrill Lynch advised against it, and the stock has since fallen by more than 20 percent, McDavid said.

McDavid also gives his broker credit for convincing him to sell Tyco International in January, before the stock began its fall from nearly \$60 a share to \$15.

"A lot of the time I get tunnel vision and I don't want to take 'No' for an answer," McDavid said. "But if they weren't there to shoot down my crazy ideas, then I would be a much poorer man today."

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