It is 11:00 p.m., Do You Know Where Your Portfolios Are?

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It is 11:00 pm on Thursday October 12th, 2000 and as I pull into my driveway I open my mailbox to pick up the day's mail after another long day at work. During my ride home, I heard on the news about the problems in the Middle East, the potential for war and how financial markets dropped for the sixth day in a row. I plop the mail down on the kitchen table, rinse out my travel mug for the next day and unload my laptop from my shoulder.

Sitting down at the table, I notice a large envelope from my financial advisor. It contains my quarterly review. I tear open the envelope and start paging through the information on my accounts.

I by no way have a fortune, but I do have a brokerage account with the remnants of some very low cost basis stock from my former employer, a rollover account for a 401k I had and a Charitable Remainder Trust I set up for my kids' education. There's nothing really fancy with any of these accounts. The rollover is indexed, the company stock is company stock and the trust is a handful of low yielding stocks heavily weighted to some core technology companies balanced with a mid cap ETF.

I'm not an investment "watcher" but since I haven't opened a brokerage statement for about 10 months, I feel obligated to at least look through this quarter's review. I heard my stock quoted at 28 7/8 on the news during my ride home. My portfolio review had the stock at 32 3/16. I carry the papers downstairs to my home office and start pulling up some of the other stocks on my computer. Cisco and Oracle, two large positions (heavily over-weighted positions in the trust from two years worth of outstanding returns) are also down a lot versus my portfolio review. Doing the math in my head, the values in the printed portfolio review that I just received, range from 10% to 20% higher than these accounts are currently worth. I toss the portfolio review in the trash.

The ironic thing about this portfolio review is that it is supposedly one of the "high value" services my advisor provides. I get all these pretty charts and graphs comparing my performance to that of various indices each and every quarter. The reports are relatively timely coming less than a week after I get my actual brokerage statements. If I opened them every quarter, continued ignoring my brokerage statements and totally ignored all media, they might actually be informative.

Thinking that perhaps I'm being a little hard on my advisor, I dig the portfolio review out of the garbage, brush off the coffee grounds from this morning's coffee and take a closer look at it. Since inception I'm performing well relative to market indices. I guess I should feel pretty good about that. I wonder how I would feel if I wasn't like I'm sure some of my advisor's clients may be experiencing.

Turning to more recent performance, I find out that I did better than the market last quarter, but year to date I'm behind. Thinking about how this makes me feel brings me to a giant question mark. I know that many times I will trail the market. I know that even some of the most outstanding money managers have difficulty even equaling market returns. Is there a trend here? I'm behind year to date even though I was ahead last quarter. If there is a trend, what is it? Does the recent quarter's relatively strong performance signify a movement to another cycle where my returns will be strong? Or, does the year to date performance trailing the market mean that I'm in for a longer cycle of poor relative performance?

All the performance report seems to be doing is creating more questions. It certainly isn't providing any answers to which I can garner any useful, forward-looking conclusions. I get this sort of overwhelming feeling of "so what?"

I log on to my financial advisor's website and get my most recent portfolio values. I then go to our website, copy my plan and type in the three account values. This takes me all of about two minutes. I can't help but think that my advisor should be doing this for me. My advisor can download my portfolio values any day she wants. She could do this for me and upload all of her clients to our website in about 5 minutes. I guess she would rather have her staff spending days printing and mailing reports.

Anyway, looking at the chances of meeting all the goals I have in my plan, I see that based on today's values, I have an 82% chance of success or 7% less than the original plan I had designed. I guess the recent market movements haven't damaged me all that much.

I then switch to the "audit" I had done of the financial plan my advisor produced with her firms' fixed return financial planning tools. That plan only had a 40% chance of success. The probability "audit" of that plan had my estate worth $500,000 at the 50% percentile. In my newly updated plan, down market and all, the value of my estate at the 50% percentile is $8.4 million.

I start to feel rather satisfied that even with my advisor's recent "poor" performance, I am nearly $8 million dollars ahead of where I would have been had I not built our company's planning and diagnostic systems.

What value is my advisor providing? I had some great initial performance and recently not so great performance and all of which she reported to me. I can't change what has happened. It is sort of like track records. It already happened and everyone knows that it "is not an indication of future results." The only difference between a track record and my performance review is that track records happened to someone else's money and my performance review is what happened to my money. In either case, neither of them are an indication of future results.

Taking off my investor hat and putting on my dusty "Corporate Strategic Planning" hat, I can't help but wonder how I could have helped not only this advisor, but also all of the thousands of advisors in her firm.

Think of all the time, money, effort and trees that is go into the production of printed reports that are out of date by the time their clients receive them and show them information that can't be used to predict anything. Think about how these advisors' support teams probably spent thousands of hours reconciling, printing, stuffing and mailing these reports for thousands of clients and how I took the results of all that effort and tossed it in the trash. I wonder how many other investors are doing the same thing or are feeling the same way?

I turn to the thoughts of the questions raised by my performance review. Do some of her other clients feel as I did? What do clients think when they have some good periods and some bad periods, as they invariably will? Are they susceptible to being prospected by another advisor when they have these questions in their head? What if competing advisors demonstrated millions of dollars of value based on investors' goals instead of basis points of relative market return? Would such clients consider a move?

I think about how I would have solved these problems, which is exactly what my current job is as CEO of Financeware. Our web diagnostic systems solved these problems. FinanceFileManager permits advisors to instantly and securely post the portfolio reviews (or any other document for that matter) to the web, should they still want to report their value in basis points rather than millions. Our probability audit systems demonstrate the flaws with deterministic, fixed return financial plan projections. Our account value upload feature allows advisors to quickly and easily produce "Status Reports" for all of their clients that not only show the client what their results mean for their future but also demonstrate ALL OF THE VALUE the advisor has added from when they first met the client. These reports can be produced quarterly or at any time when markets are particularly volatile, effectively eliminating the problem with timeliness.

I'm not sure how much of the billions of dollars on our system have been added from advisors winning accounts from competing advisors like my current advisor. I do know that billions are from investors that have audited their current plan and I'm hopeful that many of them have introduced their advisor to our service (if an investor introduces us to a new advisor their account is free for both the investor and the advisor).

Too many advisors have yet to harness the power of using our diagnostic systems for portfolio reviews. Those that have are reaping the benefits of demonstrating their value in millions rather than basis points, delivering timely forward looking information to their clients and freeing their staff from the task of killing trees.

If you are an investor, introduce your advisor to our services. Your mailbox will only be cluttered with normal junk mail and your advisor may be able to do a far better job of meeting your financial goals.

If you are an advisor, think about how much more business you could do if your staff weren't spending their time on printing and mailing reports. Think about how your fee negotiations would be positioned relative to the millions of dollars of benefit you provide instead of basis points of performance. Think about instantly informing your clients where they stand whenever markets become volatile. Think about getting out of the uncontrollable performance horse race and focusing instead on meeting your clients' goals...your primary job. Think about it.