

Wealth Managers See Question Marks in 2020

INVESTMENTS: Election year, volatility pose challenges that technology can't address.

By **MARK R. MADLER** Staff Reporter

In 2020, **Christopher Lamia** expects volatility in capital markets, which will directly impact his business as a financial advisor.

But, he believes, that will be a positive factor as it gives an opportunity for advisors to show their value to the client.

"In calm markets clients may not see the benefit of working with an advisor," said Lamia, a Thousand Oaks-based partner at **Forum Financial Management**. "When volatility hits, since so much of what we do is behavioral, that is where it gives an opportunity to show our worth."

Demonstrating value has tremendous importance at a time of disruption in the finance industry. A report by PWC found that financial technology, or fintech, is the main disruptor affecting finance.

"The disruption is just beginning in capital markets," the report states. "Successful disruptors typically offer a better customer experience and greater convenience at a much lower price."

For financial advisors, computer programs that plan and track portfolio present just such a disruptor. But for **Reza Zamani**, co-founder and chief executive of **Steel Peak Wealth Management** in Woodland Hills, the human touch still takes precedence.

At Steel Peak, technology is the second biggest expense behind payroll.

"We believe in good people," Zamani said. "We hire good people. We train good people."

As financial planning is a service-oriented industry, there is always going to be a human component that technology will never replace, he continued.

"I understand platforms of robo-investing and so forth but there is an element of high-end financial planning, estate planning, investment advisory and looking at different solutions that technology cannot replace," Zamani added.

That said, technology was still extremely crucial in the operations of his business.

"I have said this many times before as a fiduciary advisor – in order to properly manage a portfolio, it is impossible to do so without having the proper technology," Zamani said.

At Steel Peak, Zamani and the staff are always looking at the technology being used and what can be added to enable the advisors to provide the highest level of service to the clients. This includes technology used by the clients themselves to check on their portfolios and accounts.

This month, the company is rolling out one of those new technologies. This one is focused on analyzing the components of risk.

"We have triggers put in place starting in January that alert us when a client's risk is outside their recommended parameters," Zamani said. "It is a very expensive technol-



PHOTO BY DAVID SPRAGUE

Battle Tested: For Christopher Lamia of Forum Financial Management in Thousand Oaks, volatility is a chance 'to show our worth.'

ogy and we are excited about all of the tech that we use."

Forum Financial's Lamia said that in terms of growing a business these days, having the right technology is important.

"Whether it is the right client management software, whether it is the right portfolio and trading software, if you are not investing in technology, it makes it very difficult to grow," Lamia said.

Presidential unrest

When it comes to capital markets in the new year, predictions are always an educated guess.

For example, Lamia said, a year ago in December the Federal Reserve Bank chairman said he planned to raise rates three times during 2019. Instead, he ended up cutting rates three times.

"So, if the Fed has no clue, I am not sure how much more we can have," Lamia added.

Zamani at Steel Peak feels a bit surer of where the markets are headed. The equity market has a lot of momentum so as long as nothing really negative comes along, the market will continue to progress.

"We are cautiously optimistic but are looking at ways to protect assets of the clients," Zamani said.

Clients who have had an overexposure to stocks in the past several years have seen quite a bit of gains, he added.

"The prudent thing for us to do heading into (the new) year is to take a little of the profits off the table and we are looking at alternative strategies to protect these gains," Zamani said.

With a presidential election taking place this year, its impact on the markets is another unknown. However, both Lamia and Zamani believe the impacts will not be long lasting.

"Overall, while it is important in many areas of our life, I think for the markets overall are based on longer term cycles and things that are not necessarily going to change because of November," Lamia said.

Whether **Donald Trump** is re-elected or

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a Democrat wins, it will cause an immediate short-term reaction, Zamani said.

When things settle down after a couple of months, the markets go back to the fundamentals of what does the global economy look like, is there job creation, is consumer confidence high, are wages increasing and is debt low.

"All these things are the fundamentals that drive the equity markets and the overall global economy," he added.

24/7 advice

According to a research report released in November from Los Angeles-based market research firm **IbisWorld**, revenue from the financial planning and advice industry was expected to reach \$57 billion in 2019. Advisors make their money by taking a percentage of assets under management and other administrative fees.

The report said there are more than 100,000 businesses in the industry that provide financial advice in conjunction with other activities such as portfolio management, protection planning and brokerage services for households, businesses and governments.

Zamani said that there are thousands of one- and two-person independent investment advisory firms. He was not sure how these firms with limited staff and technology are able to provide a high level of fiduciary responsibility and portfolio management for any type of client.

It is no longer an industry where you could

put a client into a couple of stocks and then recheck them every six months while building relationships at the golf course, Zamani said.

"We are in an environment where you have to be available at all times," he added. "You have to be available weekends and evenings."

Lamia and his team maintain relevance to clients by attending continuing education classes and belonging to organizations such as the Financial Planning Association, a Denver advocacy group for the industry.

"You never arrive, if you will; you always have to be learning," Lamia said. "A lot of folks find study groups with other peers. That can be quite helpful, too."

At Steel Peak, Zamani said that he believes in process over product. This means that every client that comes on board at the firm will go through the process for managing their portfolio with an advisor.

There is a mandatory review on a semi-annual basis and the staff uses technology to contact the clients to set up a conference call or a face-to-face meeting. The staff, too, always goes back to step one to understand the clients' goals and objectives as their life changes.

Whether the client is a long-timer or just came in a month ago, the advisor will ask the same questions – over and over again, Zamani said.

"We don't want to sit back and wait for them to contact us about those changes," he explained. "We want to get in front of it and make the necessary adjustments to their plan based on upon their life changes."



Zamani