NASHVILLE
BUSINESS JOURNAL

RICH NOT RECESSION PROOF

WEALTHY REGROUP, START TO LOOK FOR DOWN MARKET OPPORTUNITIES

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While most wealthy people still have more than enough to live on, that doesn't mean they're not facing tough decisions.

The super-rich are spending less. Many don't know their net worth and, for most, dividends from investments have dwindled."It helps people see whether they're going to have to make lifestyle changes and very often they have to," MacDonald says. "So often people have an inflated idea of what an asset might be worth."

"Debt is no big deal to most of them" because major purchases such as homes are already paid for, says Travis Anderson, trust officer at Tennessee Bank & Trust. "But they are holding off on luxury purchases, deferring decisions like purchasing cars and cutting back on overly expensive long trips."

Anderson says his wealthy clients were initially shocked as the market meltdown started to unfold. But that's changing.

"People were in a frozen state," Anderson says. "Now they are thawing and thinking of ways to be proactive. They're saying, 'OK, I have less income coming in. Now how do I really need deal with this?' "

Jeff Dobyns, director of investment finance planning at Nashville's Southwestern Legacy Investment Services, says his clients are rethinking investment strategies, cutting losses and preparing to move on.

Dobyns is meeting with some clients weekly to shape new financial plans.

"The high-end clients tend to be very relaxed," Dobyns says. "They know intuitively they need to do something business-wise. It hasn't gotten to the point yet where they see that there are some incredible opportunities, but things are getting that way."

Retired clients, the ones with the most to lose, have remained calm during the economic chaos of the past few months, Dobyns says.

"It's the 30-year-olds and younger that are having the most difficult time with this situation," he says. "You tell them not to give up, because the market is going to come back."

He says people who already have money will be the best positioned to reinvest. It could mean putting money back into the stock market, real estate or new industry.

"There is a point where the price of something is so good that any reasonable person says, 'This is a no brainer,'" Dobyns says. "There are going to be deals, and they won't last forever."

Mikael Jacobs, president of Brentwood-based TrustCore Investments Inc., has been giving his clients a history lesson in past recessions. He points out how the markets have rebounded every time over the past 60 years. He says each client needs an individualized investment strategy based on the risk level they are most comfortable with.

Some are feeling skittish about their risk levels because of the dramatic twists and turns of the market. They don't necessarily want to jump into new ventures, no matter how attractive they sound.

Jacobs understands their perspective.

"They have to be able to sleep at night," he says. "You still remind them that it's a simple game. You buy low and sell high."

This means many portfolios are being rebalanced and more heavily weighted toward bonds, which in some cases are yielding 6 percent to 8 percent in today's market.

TrustCore, which manages about $880 million in assets for its well-heeled clients, generally works its plans five years in advance, placing five years of income in conservatorship. The firm places a high importance on being debt free.

"I'm working harder than I have in years," Jacobs says. "It's a time to be proactive with every client. I'm meeting with all of them."

Robert Newman, manager of trust services at Pinnacle Financial Partners Inc., says some wealthy investors have been hurt worse by the recession than others.

Individuals and families holding large amounts of "old bank legacy stocks," he says, have suffered some of the higher losses.

These stocks include Regions, which was formerly First American Bank; SunTrust, which was formerly Third National Bank; and Bank of America, which was Commerce Union Bank.

In the past year, Regions Financial Corp. stock (NYSE: RF) has plummeted from about $24 a share to $2.50. SunTrust Banks Inc. (NYSE: STI) peaked at about $65 a share in 2008, but now is trading around $7 a share. Bank of America Corp. (NYSE: BAC) reached a high of almost $44, but is trading now at about $5 a share.

Also affected, Newman says, are people who live off the total return of their investments. Like other advisors, Newman has been spending extra hours meeting with clients to go over the numbers and map out an updated financial plan.

"There are some tough discussions taking place," Newman says. "You've got to give people the real facts."