What Do I Do If Ken Dies?

Infrequently Asked Questions

919-622-2076
Cary, North Carolina
ken@asperafinancial.com

"Boy, when you're dead, they really fix you up. I hope to hell when I do die somebody has sense enough to just dump me in the river or something. Anything except sticking me in a goddam cemetery. People coming and putting a bunch of flowers on your stomach on Sunday, and all that crap. Who wants flowers when you're dead? Nobody."

~J.D. Salinger, The Catcher in the Rye, 1945

Few clients enjoy talking about their death. So let's talk about mine. The issue of my mortality has occasionally been raised by potential and existing clients. My standard response has been to assure them that I fully expect them to expire well before I do.

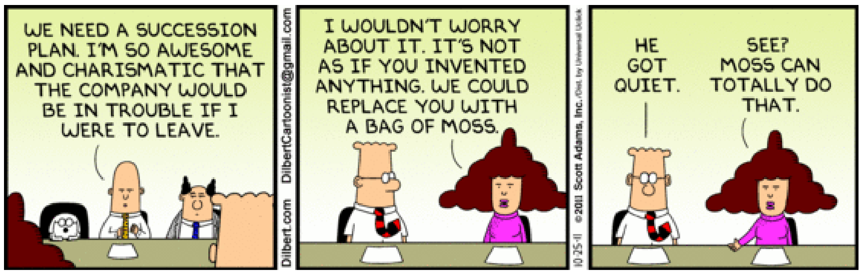
I've long hoped that I would pass in a frenzy of passion after fending off a pirate attack aboard my very own dirigible at the ripe age of 97. Alas, my first few days of running while on vacation in California have made me realize that I may have taken far too optimistic a view of my life expectancy. I've ended up bleeding in some manner (nothing serious) during each run, and each run has taken me onto trails with signs warning of rattlesnakes. Although I'll continue to only accept new clients who have no business outliving me, we should consider the possibility that I may be done in prematurely by some tragic (though hopefully YouTube-worthy) mishap.

Prospective Clients

Some folks are concerned about working with a small firm whose President is also the receptionist and janitor. They may currently be working with one of the large brokerage firms that have dozens of office buildings and thousands of employees, and they may feel somehow comforted by such heft. They're told that there will be continuity if something happens to their advisor. It sounds sensible enough, and it's actually true.

If something does happen to their advisor, there are hundreds of other advisers at the firm dragging their knuckles along the ground of the break room eager to gorge on the corpse of the deceased adviser's book of business. Before your adviser's body is cold, the firm will have portioned out the adviser's clients among the surviving feasting horde. Perhaps a prettier picture would be that of a nest full of baby birds with open mouths craning their necks up to mama bird for some pre-processed worms. In case it's not clear, you are the pre-processed worms.

I, however, maintain no ready pool of usurpers or mutineers. Should I expire, my company (and the controversy over exactly how to pronounce "Aspera") will expire with me. This means that there will be no seamless transition to some newly-appointed non-chosen adviser. Should this matter to you? Well, no. The reality is that you typically work with just one adviser, whether the firm itself has one employee or tens of thousands. If something happens to that adviser, you shouldn't accept having some unfamiliar person foisted upon you as your new adviser. It's your decision. You should start the search process from scratch. Of course, it's fine to interview advisers at whatever firm you were working with, but you should also use the opportunity to talk with other advisers at other firms.



This means that there really isn't much of a difference between small and big firms when it comes to the loss of your adviser. Yes, there will be more paperwork involved with switching firms, but if you're that lazy, you probably deserve to be handed off to the newest "adviser" who is probably living in his parents' basement and delivering pizza part-time after dropping out of a Belize-based online college after completing 6 years of a 4-year degree in parapsychology.

As most of you know, I have some pretty strong feelings about smaller, independent, fee-only firms like my own. There are many advantages to working with Aspera relative to the national brokerages and asset management firms, including:

- I've never been indicted for fraud.
- I've never been subpoenaed to testify before a Congressional committee.
- I've never needed or accepted federal bailout money.
- I don't earn free cruises, Caribbean vacations, or jewelry for selling products.
- I don't urge clients to buy securities that I'm desperately trying to unload.
- I've never come close to collapsing the global financial system.

Of course, there are some benefits to working with a large advisory firm:

- They give out free pens with their name on them.
- They probably have a pretty receptionist. I did buy my wife a sexy outfit to wear when clients come over, but her response was something along the lines of "You wish. Why don't you wear it?" Silly woman. She knows I don't fit in a size 4.

Current Clients

Current clients clearly aren't blinded by the small/big firm issue and are more interested in what they should do if I kick off unexpectedly. Here is your detailed list:

1. Relax. Your portfolio is ok and not in need of urgent tinkering. We have a multi-year horizon with the portfolios we've constructed. It's unlikely that any changes need to be made immediately. And, remember, I don't have your cash. Your account is held in your name at one of the largest national custodians/brokerages.
2. Mourn. What are you? A heartless computer? I just died. Take a minute and reminisce about all of the wonderful talks we had about fraudulent monetary policy, inept politicians, overvalued markets, contrarian investing, etc. Go on. Let it out.

3. Send some flowers to my wife and daughter with a card telling my wife that I'm irreplaceable and that she shouldn't waste her time looking for a new husband.
4. Figure out your invoice and send a check to my wife. She might need the cash, especially if I haven't gotten around to telling her where the gold bars are buried. Also, she's likely ignoring the terrific advice you put in your sympathy card (see #2) and is busy updating her Match.com profile.
5. If you're very nervous, it's perfectly fine to sell everything and move to cash. Cash is never a terrible thing to have.
6. Even in death, I would expect our portfolios to outperform most living portfolio managers over the next few years. Still, you should probably start your search for a new portfolio manager. I'll tell you what I told you before we started working together. Interview as many people as necessary until you find someone you're comfortable with who also has a strong investment background and long-term track record. If you haven't been tuning me out completely over the years, you should have a good idea of what to look for:
   a. Long-term value focus
   b. Disciplined and consistent investment strategy
   c. Comfortable going against the herd
   d. Willingness and ability to patiently wait for ideas to play out
   e. Personally investing in same securities bought for clients
   f. Low fees (all in)
   g. Attractive and intelligent spouse (proof that he/she must be doing something right)
7. Here's a quick way to screen. Ask the following questions of any potential adviser. You don't need to know the answers yourself. If they can't answer or stammer too much, keep looking.
   a. What is discounted cash flow valuation and how do you do it?
   b. Can you explain convexity as it relates to fixed income securities?
   c. What is the difference between the Monetarists, Keynesians, and Austrians?
   d. Are the markets efficient? Explain.
   e. What's the difference between price/earnings, price/book, and price/EBITDA ratios?
   f. Do you know how to bring Ken back from the dead?

In the meantime, let's make the best of whatever time we have.

Best,

Ken Bell, CFA, CFP
President
Aspera Financial, LLC

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