



Stuck In The Middle

REVERSALS OF ECONOMIC FORTUNE

among the pressured middle class are driving a big boost in multi-generational households, and a host of concomitant financial issues are afflicting these families. Many early-edge baby boomers are shelving plans to convert Junior's old bedroom into an art studio because Junior himself is moving back in, sometimes with wife and kids and tow, and too often without a job of his own.

In 2008, according to Pew Research Center, 16% of the U.S. population—about 49 million people—lived in multi-generational households, almost double the 28 million in 1980. The number has continued to rise since then, with recent Census Bureau data showing an 11.7% increase in the number of multifamily households from 2008 to 2010. The roughly 54 million people now living in multifamily arrangements represent the highest such proportion in more than 40 years.

But all that's old news to Rick Tonkinson, CFP and CLU. Since launching his Coral Gables, Fla.-based firm, Rick

Tonkinson & Associates Inc., two decades ago, the former Peace Corps volunteer and commercial bank vice president and trust officer has focused exclusively on middle-class and blue-collar workers in his financial advisory and money management business. So he's had a ringside seat as this staggering demographic and economic shift has played out.

He's particularly well situated to assay its impact on the financial circumstances of the clientele he serves, and as he'll be the first to admit, it isn't pretty. Some of his clients have been forced to postpone planned retirements, or even return to work after retirement. "And it's not necessarily because of the performance of their portfolios," he says. "More often, it's a real estate issue."

Having to install a wheelchair ramp and a handicapped-accessible bathroom for elderly parents or an auxiliary apartment for adult children fallen victim to a historically weak job market is only one aspect of the "real estate issue" chipping away at some middle-class folks' retirement plans, Tonkinson points out. The recent implosion

Advisor Rick Tonkinson is making his bones focusing on middle-class clients.

By Michael McDermott

of the real estate market itself is another. Many working Americans have a big chunk of their long-term savings tied up in home equity. At least, they did until recently.

"A few years back, someone nearing retirement might have been looking at selling their house for \$600,000 and buying one just as nice for half the money in another, lower-cost state, often to be closer to their kids and grandchildren. That \$300,000 profit represented a significant piece of their retirement nest egg," he explains. "All of a sudden, half the value of their home is gone in the real estate collapse. People become gun-shy, reluctant to retire. They lose confidence that their plans will work out." A big part of Tonkinson's professional mission right now is helping such people get back on track.

Tonkinson's choice of business model was no accident or happenstance. Quite the contrary, it was a considered decision that grew out of his personal convictions and previous professional experience. It's worth noting that his decision to focus on this underserved segment of the saving and investing public has been a resounding success. With some 620 clients in 20 states and about \$200 million in assets under management, RT&A's AUM and client roster have increased by 55% over the past three years. More important than all that to Tonkinson, however, is that he's been able to deliver on the vision that's driven him from the beginning, i.e., making available to the hoi polloi the kind of sound financial planning and money management that is too often the exclusive province of the very well-heeled.

In 1991, the first Gulf War was a factor behind a steep plunge in the stock market at the same time the banking industry was going through a period of rapid consolidation. Tonkinson was then a vice president and trust officer at First Union (later acquired by Wachovia, which in turn was acquired by Wells Fargo) and "didn't see much of a future in being a trust officer or bank employee," as he puts it. He'd moved to Miami ten years earlier and since then earned an MBA and Master of Business Administration degrees from the University of Miami, specializing in budgets and cash flow.

His career in banking made Tonkin-

son realize there was a direct correlation between the caliber of financial planning advice and service available to individual investors and the size of their net worth. What he describes as "regular, everyday people"—the kind of people he tended to associate with—would never have account balances robust enough to gain them entry into that rarefied world of private banking. As a former Peace Corps volunteer and a lifelong believer in helping others, it also ticked him off that sophisticated financial advice should be out of reach for most Americans.

Tonkinson decided it was time to hang out his own shingle, intent on making some degree of sound financial planning available to working stiffs trying to save for their retirement, but he admits to more than a little trepidation at the prospect of that undertaking. "I was 37 years old, and I worried I might be starting too late," he recalls. "I felt I had lost ten or 15 years of prime career time, and the thought of going from a vice president at a bank to starting at ground zero in a new profession was downright scary."

Scary it might have been, but Tonkinson had a few things in his favor, including an impressive work ethic, a supportive family, access to a mentor, a proven ability to further his education as circumstances required and, it might be argued, a substantial account in the bank of good karma. Since starting out as a paperboy at age 12, Tonkinson had always held some kind of job. He worked through his undergraduate years at Penn State, where he earned a B.S. in business administration, and became a Peace Corps volunteer in Bogotá, Colombia, right after graduation. Stints in asset-based lending at CIT and trust management at Manufacturers Hanover preceded his move to First Union.

The nexus of his family support was wife Margarita, at the time a graduate student at UM. She would later join him in RT&A, as would their son, Steven, who now manages the firm's Coral Gables branch and its office of supervisory jurisdiction. The mentor was his cousin, a former teacher who'd launched a successful CFP practice in Poughkeepsie, N.Y. Having completed MBA and MPA de-

grees in his "spare time" over the previous decade, Tonkinson wasn't fazed by the 12- to 14-hour days he knew would be required to earn his Certified Financial Planner and Chartered Life Underwriter credentials while working full time.

And then there was the karma thing. For many years before launching his firm, Tonkinson was a regular at Shorty's Barbecue, a Miami landmark famous for good, cheap eats. He always made it a point to sit in the section served by Wilma, a longtime waitress whom he describes as "a lovely woman, a grandmotherly type," and he always over-tipped her, even when it left him broke for the rest of the day.

Finding clients is a challenge for most new businesses; so, too, for Tonkinson in the early days. When a friend gave him a tip about a Florida Power & Light meter reader he knew who was retiring after 41 years, Tonkinson went and knocked on his door. It was answered by the meter reader's wife, none other than Wilma herself.

The door Wilma really opened was to the vast market for retirement plan rollovers by FP&L employees. Today, RT&A captures about 30% of that market, and much of the rest of its client roster consists of BellSouth/AT&T workers, police officers, teachers and people employed in similar professions. The firm has no minimum account requirement and will not accept any account over \$2 million. "I know I'm almost contrarian to the industry standard in that regard, but I just don't want the drama and personality issues that come with high-net-worth clients," he says. "I'm from the blue-collar world. I'm made of the same stuff."

Also contrarian is RT&A's fee structure, one-twelfth of 1% charged monthly, with no minimum time commitment. The firm's business model has evolved to provide its blue-collar investors with the kind of service and advice that would require an account balance ten times larger at a big bank or brokerage. That engenders a tremendous amount of customer loyalty. "We manage expectations as much as we manage money," Tonkinson says. "We try to under-promise and over-perform. That kind of focus is lacking in much of the industry."

A benefit of RT&A's conservative approach to money management is that its clients' portfolios generally fare better than

the overall market during periods of steep decline. Tonkinson called the recession and the subprime mortgage fiasco early in 2008, pulling out of stocks and bonds on January 23. "A lot of people thought we were nuts at the time, but not so much in hindsight," he quips. He stayed in cash until April 2009, so his clients were also spared the impact of AIG, Lehman et al. He pulled off a similar performance in 2001, exiting equities following the dot-com crash.

"We were in cash and government bonds on 9/11 and so missed the ensuing 30% market drop," he relates. "We looked like geniuses, but it was really just a reflection of our underlying risk management strategy. Clients were calling me up, wondering why they weren't losing money. As a result of that, word started to spread that Rick Tonkinson doesn't maximize your profits, but he minimizes your losses. That is what we are all about. We are boring and dull, and if that is what you want, talk to us."

Tonkinson puts his own money where his mouth is when it comes to spreading the wealth. He and his family are major donors to and supporters of an array of charitable causes, both personally and through the Rick Tonkinson Family Charitable Trust. Among the beneficiaries of that largesse are the University of Miami, the Diabetes Research Institute, the Rotary Foundation, the Miami Performing Arts Center and the Florida Grand Opera. "One of the greatest rewards of our success is the opportunity it's provided us to be generous and to help others," he says. "That's really what it's all about."

To be sure, Tonkinson believes the challenges facing retirement security are a long way from solved. In fact, he characterizes the situation as having the potential to become a national crisis. Since many of his clients have pensions, they can sustain somewhat higher withdrawal rates than individuals forced to live off their portfolios alone.

That said, Tonkinson has noticed some frightening trends among clients and prospects largely because they suddenly find themselves supporting relatives they had always assumed would be independent. In some cases, withdrawal rates from retirement funds that were averaging around 7% before 2008 have spiked, in some cases to as high as 20% or 25%,

often because of additional financial burdens such as those discussed above.

"Unemployment is not just an issue for the unemployed," he says. "It's putting a burden on retirees who are supporting some of those unemployed. The big challenge for 2011 into 2012 is to stem that tide. One of the primary issues we face is helping our clients maintain stability in their retirement accounts when they face unexpected burdens."

Past performance, as they say, is no

guarantee of future performance or success. But Tonkinson's business model, and his self-described "boring and dull" investment strategy, have established an impressive track record through some tough economic times. He may be right about a potential national retirement crisis brewing, but if it emerges, his clients might be forgiven if they expect to fare somewhat better than clients of other firms. And it's worth noting that RT&A's client roster has not shrunk. In fact, it's growing. **FPA**



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