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Projections of financial possibilities

• Thomas Fee of Vector Wealth Management developed an application that helps business owners and other clients invest for retirement.

By TODD NELSON
Special to the Star Tribune

Most business owners have a good idea of what their company is worth.

More challenging for many is figuring out how long that business value might last into their retirement. And where it fits into an overall financial plan. And what difference selling now or staying on a few more years might make.

They could try working out the numbers in their heads — or see them projected spreadsheet-style onto a screen at Vector Wealth Management, a financial consulting and retirement planning firm in Minneapolis.

With a few computer clicks, Thomas Fee, Vector principal and managing partner, shows how differing scenarios could affect the bottom line of business owners and other clients, both before and after retirement.

To generate those numbers, Fee uses PensionTrac™, a proprietary software application he developed to manage clients' investments and retirement distributions.

The application produces a customized retirement investment plan and specific investment allocations for each client, Fee said. It adjusts the investment plan and mix over time, as a client's needs change.

Business owners in particular "need to rethink the way their business assets fit into the broader spectrum of their investment assets," said Fee, 52, who founded Vector in 1993. The firm manages close to \$400 million for 280 core clients.

"One of the things we'll say is if you're 45, let's try and have at 55 your business not be critical to your retirement success," Fee said. "So let's start this conversion process from just pure business value to other types of economic value.

"It could be investment in real estate, it could be investment in the markets, it could be any other type of a diversification that has zero correlation to the value of their business entity."

Pension-like income stream

PensionTrac™ separates a client's assets into four portfolios, one for short-term retirement income and three that seek growth, Fee said.

The plan typically begins selling assets one

market cycle, or about four years, before a client retires, Fee said, setting the proceeds aside to produce a pension-like income stream once the client stops working.

Selling assets before retirement helps clients avoid having to unload them in down markets, Fee said. Instead, the client continues spending short-term funds until markets improve, then sells long-term assets to rebuild short-term income.

"We took all of our clients through the second-worst market cycle in the last 100 years rather successfully," Fee said, referring to the economic downturn that struck after the 2001 terrorist attacks.

Off-the-shelf or Web-based financial planning software lacks the detail business owners require, said Sam Rouman, an adviser at Vector.

"This is a highly customized tool," Rouman said. "This is a tool that requires a lot of input, a lot of analysis, a lot of asking questions and really understanding intimately what the client is trying to accomplish."

Vector gets most clients through referrals, Fee said. The firm has begun marketing to attract new clients with \$750,000 or more to invest.

Service helps client sleep well

Jim Rimarcik, CEO of PHT Systems Inc., a wholesale distributor of food-service equipment based in New Brighton, said he has been pleased with how Vector has handled both personal investments for him and his wife and pension and profit-sharing plans for his company.

Fee took the time to understand his financial goals, Rimarcik said. Vector developed a plan that would provide income for his wife, who he said has lived a healthy life and whose parents lived into their 90s. "The chances of her outliving me are substantial," Rimarcik, 62, said.

Vector has a conservative plan for investing the money PHT Systems puts into pensions and profit-sharing, Rimarcik said.

"Very few other firms truly grasp those concepts," Rimarcik said. "The comfort level I get, my wife gets — and the employees quite frankly like it — is that someone cares, someone has listened to what they want, how they want their money handled. To tailor everything for that makes me sleep at night."

'A less-conflicted model'

As a registered investment adviser, Vector charges fees based on a percentage of assets managed, Fee said. Unlike a broker-dealer,



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Thomas Fee of Vector Wealth Management says business owners "need to rethink the way their business assets fit into the broader spectrum of their investment assets."

Vector does not sell investments and does not charge transaction fees.

Fee worked for a broker-dealer before he left to start Vector. He often asked himself, "If I were my only client, what decisions would I make?" Today he keeps an empty chair in the corner of his conference room to represent the firm's clients and their interests.

"I wanted to be in a less-conflicted model," Fee said of his decision to start a fee-based firm, which he self-financed. "I was uncomfortable with the issue of compensation around a transaction. ... I did not want any transactional activity to erode what I considered to be the absolute cornerstone of a financial relationship, which is trust."

The expert says: Tom Lyons, principal and founder of mergers-and-acquisitions firm Falon Business Brokers in Golden Valley, works with Vector and a number of financial advisers in counseling his clients and said Vector's PensionTrac™ application shows business owners and other investors how much money they will need to retire and when they can retire.

"PensionTrac™ helps people see what the actual numbers are without having to visualize it in their mind," Lyons said. "There are other tools out there, but I particularly like this one because it's easy to understand."

It can also help business owners avoid the mistake of selling a company before they are ready, Lyons said. Vector's holistic approach integrates a client's business assets and other investments into a comprehensive plan. PensionTrac™ helps shape the plan for each client.

"I really like the client focus they have," Lyons said. "They're trying to find clients' needs and cater to those as opposed to signing up clients and making a square peg fit a round hole."

He added, "They're well-experienced, good people, with a good heart."

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