BY WARREN BOROSON
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BOROSON ON MONEY

The gentleman made only $150,000 a year, yet he was paying $55,000 a year for nine whole-life insurance policies — more than one-third of his income. Not only that, but he owned over 100 individual stocks.

No wonder he wasn't saving much — and no wonder that his financial adviser was getting rich quick. (Whole-life insurance is expensive and gives you a paltry savings account.)

Eventually that gentleman wised up and made his way to a fee-only Certified Financial Planner, namely, Cary Carbonaro of Stonebridge Wealth Management in Fair Lawn, who is now extricating him from that mess.

Her advice: Consult a financial adviser who has a "fiduciary" relationship with you — meaning that he or she is ethically bound to put your interests above his or her own. (And not behave like Goldman Sachs.)

Much of the time, Carbonaro helps not patsies like that benighted fellow but widows — some 70 percent of her clients are women.

There, a typical problem is that the new widow is "devastated — emotionally vulnerable — scared — overwhelmed with life." So extremely conservative does she become that much if not all of her money is in cash — year after low-paying year.

One such widow lives in California, and Carbonaro is flying out there shortly, finding her a place of live, suggesting what she should do with her investment portfolio, and "doing other girlie stuff with her — like taking her to a spa."

She doesn't just give her clients financial advice: She treats the entire client. (She may even refer clients to therapists.)

Occasionally a widow isn't excessively conservative but the opposite. "One widow went on a spending spree — shopping, after all, can be fun." She bought a $50,000 Mercedes and other stuff, and in two years she (and her good-for-nothing new boyfriend) managed to blow all of her late husband's insurance money ($500,000). She wound up being forced to return to work.

"My men clients may respect me," she says proudly. "But my female clients may love me."

She's a well spoken woman, in good shape (she practices an energetic form of yoga), and quickly dispels any myths that all blondes are dumb.

Does she buy mutual funds or individual stocks for her clients? Usually funds (including exchange-traded funds), though new clients may come in with lots of stocks in their portfolios and she must deal with them.

She chooses her funds using a program called Zephyr, which identifies managers whose funds have done exceptionally well over a 10-year period. She may also buy "institutional" shares, enabling her to purchase "load" funds for her clients without the usual sales charges. (For example, the splendid American funds in Los Angeles.)

With bonds, she usually buys individual issues, being guided by a colleague, Steve Craffen, a CFA who's especially knowledgeable about bonds. (He's dubious of New Jersey bonds now, by the way. A CFA in the financial field is comparable to a Ph.D. elsewhere. Craffen told me that getting a CFA was much harder than his mastering physics at Stevens.)

How does Carbonaro determine a new client's asset allocation — how much he or she should be in stocks? She has clients fill out a 25-question questionnaire (from FinaMetrica) to determine their "risk tolerance," then uses a sophisticated software program, called Tamarac, to determine how much they should be in value funds and growth funds, large-caps and small-caps, foreign and domestic.

Besides stocks and bonds, she will invest in commodities like gold and oil (negatively correlated with stocks), and buy foreign bonds, convertible securities, and even a long-short fund (Arbitrage Fund Class F) — the last of which bets both for, and against, certain individual stocks. But she won't buy hedge funds — one reason being that they're only loosely regulated.

Index funds? She thinks a smart, informed investor can do better.

Regarding insurance, she favors term (pure insurance), although she grants that whole-life can be useful in estate planning, to pay taxes.

To manage money, she charges 1 percent of assets under management.

Will she work by the hour? Yes, "But we really want a long-term relationship." Annuities? "There's good, bad, and ugly."

Immediate annuities are "pretty good."

Deferred variable annuities — which intend to pay people in the future, and typically invest in stocks — are usually expensive. And sometimes salepeople take advantage: She's heard of an 80-year-old man in Florida who was sold an annuity with a 15-year early-surrender charge.

How should someone go about choosing a financial planner? She recommends looking for a member of the National Association of Personal Financial Advisors, fee-only financial planners (they don't charge commissions), and she refers people to a useful website — www.napfa.org/consumer/FinancialPlanningChecklist.asp

You are invited to send financial questions to ***WGBoroson@gmail.com This e-mail address is being protected from spambots. You need JavaScript enabled to view it***

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