

Financial Services Industry Reflects Stability Of Firms, Clients With A Plan

By TIFFANY L. RIDER
Assistant Editor

With market volatility and slow economic recovery over the past few years, there is a general nervousness about the future. Businesses continue to be slow to hire, slow to expand and slow to make capital investments. Thus, business owners and individuals are looking to accountants, insurance brokers and financial planners to guide them through the rest of 2013.

Blake Christian, certified public accountant (CPA) and partner at Holthouse Carlin & Van Trigt, told the Business Journal he has a stable of high-performing client portfolios held by individuals who didn't get hit as hard as other investors in the economic downturn. Even so, Christian said these clients have the same mindset as everyone else – one of concern and caution.

With the Federal Reserve propping up the economy, its bond-buying efforts keeping interest rates low, Christian's high net worth clients are concerned about inflation. "We are seeing companies doing a lot more with less," Christian said. Much of these cost-cutting efforts by his business clients have helped improve profits, though not yet reaching pre-recession levels.

One of the most significant cost increases for businesses this year is in workers' compensation insurance. According to Kelly Williams, president of Kelly Williams Insurance in Long Beach, prices have jumped this year at a rate of about 20 percent. "Pricing has really taken off," he told the Business Journal. "It has been coming down the pipeline since last year. This year we've started to see big increases. We expect that going forward as well."

Rate increases of 4 or 5 percent for other insurance lines were mostly due to heavy reimbursement for natural disasters across the country. The hike in workers' compensation, however, is attributable to increasing costs in medical care and legal issues that make it more expensive, Williams said.

Opportunities lie with those who have a lot of cash and can move quickly, according to Christian, such as investors who have purchased properties and flipped them, helping increase the prices of homes that had been punished in the past. "As we move into the summer, there are a whole lot of people sitting on property that had a negative value," he said. "With so little inventory, there will be a flood of properties," he said.

"The demand is there."

In general, CPAs are a resource for their clients as to what's happening in the econ-



According to what he is hearing from clients, Blake Christian, certified public accountant and partner with Holthouse, Carlin & Van Trigt, told the Business Journal the mindset is still one "nervous about the future" as the economy continues on a path of slow growth. Concerns, he said, are regulation, including healthcare reform, organic growth rather than spending, new technology and more. (Photograph by the Business Journal's Thomas McConville)

omy. Many of Christian's clients own \$20 million to \$100 million businesses; he has only a handful of clients with businesses valued under \$20 million.

"From a growth diversification standpoint, on the revenue sourcing side, the clients who are doing really well are those who aren't just selling domestically," he said. "Even for small businesses, it's not that difficult to expand your footprint to international sales." There are programs that help, he said, including those that help lower sellers' rates and that ensure payment from foreign buyers. "If I look at my client base, the ones who are super strong are the ones who have some element of foreign exposure on the revenue side," he said.

Diversifying exposure is a widely used strategy in investing. According to James Suh, regional sales manager for Merrill Edge Los Angeles Coastal Region, clients engage in financial planning for various motivations, like paying off debt, addressing rising healthcare costs and, eventually, securing their retirement. "In the long term, our clients are looking at how they can achieve their goals," Suh told the Business Journal. "We are a global village, but that big picture doesn't have as much impact on their personal lives."

Suh's clients are individuals with \$50,000 to \$250,000 in investment assets. "We want to make sure that all of our clients have a solid financial plan," he said, which includes three to six months in cash reserves and a diverse investment portfolio. "The markets go up and down. Clients aren't asking much about interest rates. They are asking if they are prepared for economic growth or an economic downturn."

Despite recent weakness in the market – particularly the fluctuation in June after Federal Reserve Chairman Ben Bernanke announced that the Fed would taper its bond-buying program if the economy continues to recover – Lisa Petrie, managing director and senior portfolio manager for The Petrie Group of Wells Fargo Advisors, said she expects 2013 will end on a positive note. "I always anticipate that these weaknesses in the market are really buying opportunities,"

she told the Business Journal.

"If you really look around out there, it looks like the recent increase in bond yields are overdone," she said. "I wouldn't expect them to rise dramatically enough to hurt the economy from here. . . . It looks as though inflation fears have probably peaked. What you're seeing is some maybe delayed reaction in the markets' overall reaction to what Bernanke has been doing. But really, comments are somewhat overreacted in a sense that really, what [the Fed is] doing is reducing the amount of bond purchases. They are not really tightening the policy, but loosening

ing the policy to some degree; taking the foot off the accelerator rather than putting a grinding halt to everything."

Even so, Petrie said her clients – business owners, high net worth individuals and retirees – are mostly asking about protecting the gains they have seen in the market so far this year. "The market has done well, even though we had this pull-back in the last month or so," she said. "Volatility in the summer or more quiet markets in the summer is not uncommon as people go on vacation. We are going to see a little bit more of a reaction now to news. I think investors want to be sure they understand what the news is and, as individuals, they are not over-or under-reacting, depending on that news." ■

Utilities: Ample Supplies But Higher Rates

By MICHAEL GOUGIS
Contributing Writer

Natural gas and water – and probably electricity – are likely to be plentiful over the remainder of 2013, but Long Beach residents and businesses can anticipate higher rates for water and gas

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