



Letter to the Editor – Getting All the Pieces of the Puzzle

January 6, 2009

The following letter is in response to Ron Surz' article, [Getting All the Pieces of the Puzzle](#), which appeared on December 30, 2008. Mr. Surz' responses are shown in italics below.

Gentlemen:

It truly amazes me that so much time and talent is spent on analyzing other peoples' work. Maybe someone can answer these questions:

1. How many consultants (I would include all financial advisors that use mutual funds for implementing an investment portfolio in this group) are there relative to the number of portfolio managers and their "products" reviewed that can be utilized as a piece of the puzzle?

A lot. There are approximately 15,000 investment advisors registered at the federal level, with many more registered at the state level.

2. What is the reason an individual would utilize a consultant or financial advisor who recommends others to manage the pieces of the puzzle, instead of becoming one of the investment managers themselves?

Many, if not most, do manage money either directly or through "managed money" programs like UMAs, formerly known as wrap accounts. The important distinction is in the manufacturing – the craft versus the trade of consulting. The trade sells packaged solutions, usually managed products. The craft develops the packages, usually using antiquated tools that fail to deliver, but - hey - who's looking.

3. Has the asset allocation process driven people and their advisors to become market speculators instead of investors?

The processes are designed to bring discipline, although 2008 has shown that sometimes discipline gets punished.



4. Do returns have anything to do with the economy or the operating results of business, both private and public companies?

Most of the time, but in this 2008 fire sale it's hard to make any sense out of what is happening.

5. Is there really any index that is passive, and if so, can you invest in the index?

Sure. Other than the S&P indexes, managed by committee, most really are passive in the sense that they are constructed by rules rather than people, and most are investable through mutual funds and/or ETFs. Alas, the Surz indexes are still looking for the right partner to distribute them as investments; in the meantime they make great building blocks for benchmark construction.

Just curious,

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