

# VARIETY

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## Tight-knit pack tracks greenbacks

Money managers handle gamut from pets to nets

By THOMAS M. KOSTIGEN

**C**elebrity business managers function without much fanfare... until their clients lose money. Some, of course, make wise investment decisions and are labeled “business savvy,” while others are reckless and declared bankrupt.

Disputes are often quite public, as recent headlines attest. Sylvester Stallone sued his former business manager. Billy Joel sued his ex-brother-in-law accountant. Joel’s touring partner, Elton John, lost a \$29 million suit against his former accountants. And just last month, Michael Eisner sued Executive Monetary Management for \$3 million for alleged bad advice. And, while they are not technically money managers, investment Pied Pipers such as Reed Slatkin and Dana Giachetto still prompt shudders across town.

Yet with stock markets sputtering and real estate exploding, it is striking how few of Hollywood’s money managers go astray, especially given their ever-widening range of duties. Today’s breed is perhaps not as social as past generations – Bill Hayes was one example of the old style, marrying stars and embracing the limelight – but they make up for their lower profile with sheer versatility.

Business managers handle everything from bill-paying to dog-walking for clients. In addition, they get deeply involved in their clients’ business affairs and ventures (not to mention personal foibles). They are unregulated and unlicensed; most are CPAs who simply grow into the job. Most work involves rendering advice and safeguarding investments.

Large firms like American Express, H & R Block and Assante are seeking to consolidate the long-fragmented

business. But the old-fashioned image of confident-diplomat-surrogate parent gives the average money manager considerable clout.

Newer moneymaking avenues such as real estate (especially in the dizzying L.A. market) require a set of skills and responsiveness to the client’s individual needs. Kelsey Grammer is one of many clients known for buying and selling houses. Showbiz figures also have unique access to investment vehicles such as restaurants, production entities or even selling their own name.

“We try and keep low-key,” says William Wine Jr., a business manager in Santa Monica. “We don’t want them to think we’re out there discussing their personal matters.”

In that respect, the role of business managers is nearly the opposite of that of most others associated with talent.

“It’s good when an agent or talent manager talks about his or her client. It’s not good when we do,” observes Wine. “They look at us to be very conservative. They don’t want someone to be flashy. You’ll see someone go to CAA because two hot young actors went to CAA. Business management is a lot different.”

But not all that different. Tom Cruise and David Letterman share the same accountant.

“We get most of our business almost exclusively from referrals,” says Joel Mandel, a top business manager with the Management Group in Beverly Hills, who represents actors and studio execs.

Referrals signal the value of a personal touch, a vital quality in guiding an idiosyncratic client base through volatile financial straits.

“Their personalities are such that they are risk-takers – otherwise they wouldn’t be in this business,” says Louis Barajas, a certified financial planner in L.A. with several celebrity clients. “So that is the type of investment approach they want to take. We have to watch out for them.”

Some of the inside stories are epic.

One client of Wine’s burned through more than \$60 million and had to file for personal bankruptcy. Barajas says he has a famous client who hasn’t filed a tax return in years. Some managers fax memos to clients warning them of the folly of buying a second Bentley or an even-more-diamond-encrusted watch.

The combined effect of the referral network and the delicate nature of money management is that the money of diverse celebrities ends up being handled in a fairly standard manner. And this condition is becoming institutionalized.

Larger firms offer a comprehensive sales paradigm. The bigger entities tout their research capabilities and ample resources, but some smaller players are concerned.

Winnipeg-based Assante, with 200 North American offices, says it sells “a growing range of products and services which encompass an integrated approach to our clients’ wealth, career, business and succession challenges.” And it has been quietly acquiring firms specializing in sports and entertainment business management.

American Express, which has its own bevy of proprietary investment products and services, also is moving into business management for entertainers and celebrities.

“With a lot of these situations, you have to ask: Do you really need a \$2 million life insurance policy when your business manager is getting a \$15,000 commission?” says Karl Reinecker, a certified public accountant in Malibu.

Mandel, an independent operator, says: “Institutionalization absolutely has occurred and is occurring. But the jury is still out on whether the whole process is working.”

The economies of scale that go along with grouping business managers leaves out the fact that assets, managed in a similar way with similar products, systems and technologies become vulnerable en masse.

**City National Corp.**, long a dominant player in the well-heeled Hollywood bracket, has \$18.8 billion of assets under management or administration. Execs describe that asset level as the “sweet spot” between micro firms and Citigroup-type behemoths.

The company has acquired several money manage-

ment firms in recent years, including the value-minded Reed, Conner & Birdwell in 2000.

Whether or not they labor under the same corporate umbrella, managers tend to flock together. They even use the same suite of software products, Datafaction.

More than most areas of the industry, the money management community largely operates as a clique, says Wine. “You pretty much know everybody,” he says.

Good competition makes for familiarity, as does the occasional business management conference. “And we all know who the bad ones are,” says Wine.

To be sure, new corporate entrants are breaking tight business management circles. But small and large players often forge symbiotic ties.

Barajas says he turned to Assante to invest his clients’ money. He says Assante gives him a broad menu of investment products from which to choose.

“It’s up to us, really, to be objective,” he says. By handing over the day-to-day investment management of client assets to Assante, “we can focus on other things.”

Vern Kozlen, exec VP and manager of City National Investments, believes size matters. “In a storm would you rather be in a large ship or a small rowboat?” he asks.

Further, Kozlen contends that Hollywood clients, under the watchful eyes of managers and advisers, are increasingly on top of money matters.



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“While you hear about people making speculative investments, the vast majority are fairly conservative, as their wealth-generating period is rather short,” he says. Bonds, for example, make up a surprisingly disproportionate segment of many portfolios.

Choppy stock market conditions have actually helped Hollywood’s money managers, Kozlen adds.

“In some ways, we’re finding it easier to talk to clients than in the 1990s,” he says. “In the boom times, they’re less concerned about overall strategy than about the hottest stock tip they’ve heard.”