

Advisers are overlooking 'shadow millionaires'

Decent salaries, generous pensions can mean strong savings and make many public-sector employees worthwhile clients

By Lavonne Kuykendall

July 8, 2012

In the quest to find affluent clients, many financial advisers may be overlooking one important segment: public-sector employees.

Although Silicon Valley entrepreneurs and corporate hotshots make for good — not to mention profitable — clients, so do many employees of local, state and federal governments. From federal office workers to law enforcement personnel to resort town lifeguards, many public employees earn generous pay and benefit packages that allow them to sock away more than most.

And though pay differential varied by education, a report released in January by the Congressional Budget Office found that federal civilian workers, on average, earned 16% more in wages and benefits between 2005 and 2010 than their private-sector counterparts. Likewise, a 2008 report by the libertarian Cato Institute found that the average federal worker's total compensation was \$119,982, more than double the private-sector average of \$59,909, based on data by the Bureau of Economic Analysis.

Ironically, public workers — perhaps lulled by the financial security that comes with their pension plans — are less likely to seek the help of an adviser in planning for retirement.

“They think they don't need to worry about consulting an adviser,” said Gregory Salsbury, an executive vice president at Jackson National Life Distributors LLC, who refers to high-wage-earning public workers as “shadow millionaires.”

“They don't think in terms of investing,” he said.

But financial advisers and planners who focus on learning what public-sector workers want in terms of financial advice often are rewarded for their efforts.

Consider Marcia Anton.

Fifteen years ago, as a way to make new friends when she moved to Honolulu, she began volunteering at an after-school program run by the local police department. A few years later, when Ms. Anton launched her career as an adviser, one of her police officer friends gave her some advice that became the foundation of her practice.

“He told me [government employees] had a very complicated pension system, and if I could learn how it worked, I would never run out of clients,” said Ms. Anton, president of Anton Financial LLC.

Last year, her firm was ranked No. 1 in Hawaii and 144th nationally in annual revenue among broker-dealer LPL Financial LLC's roughly 13,000 advisers.

Although Ms. Anton declined to disclose her firm's revenue, about 95% of it is generated by government employees.

Advisers who work with public employees agree that such workers generally are too conservative with their investments, especially considering that they receive pensions.

“The market gives them the jitters,” said Mike DiPaula, a retiree from the Baltimore Police Department who now works as a financial representative for Everest Wealth Management Inc.

He and his fellow officers always tended to be conservative with their money.

Mr. DiPaula recalled that many kept their supplemental retirement accounts entirely in supersafe investments such as money market accounts.

Public-sector employees who find their way to advisers almost always do so for help navigating their pension plans, experts said.

The first question that Anna Sergunina, an adviser at MainStreet Financial Planning Inc., usually hears from public-sector employees when they come to her practice is, “When can I retire?”

After she helps those clients figure out their retirement plans, the next big issue is dealing with how they had invested their money, which was usually too

conservatively, said Ms. Sergunina, who also is a chartered federal employee benefits consultant.

“I tell them to think of their pension fund like a big bond fund, so they can invest the rest a little more aggressively,” said Ms. Sergunina, who charges a fee for financial planning and is part of the Garrett Planning Network Inc.

No matter what, the key to working with public-sector employees is to become an expert in navigating their retirement plans, said advisers who have successfully built their practices around this niche.

Ms. Anton said that she is so well-known for her expertise in Hawaii's plans that almost all her business comes from employees' referring their colleagues to her for pension evaluation.

“I have had cops tell me that I am the most talked-about female in the locker room,” she said. “I know my stuff inside and out.”