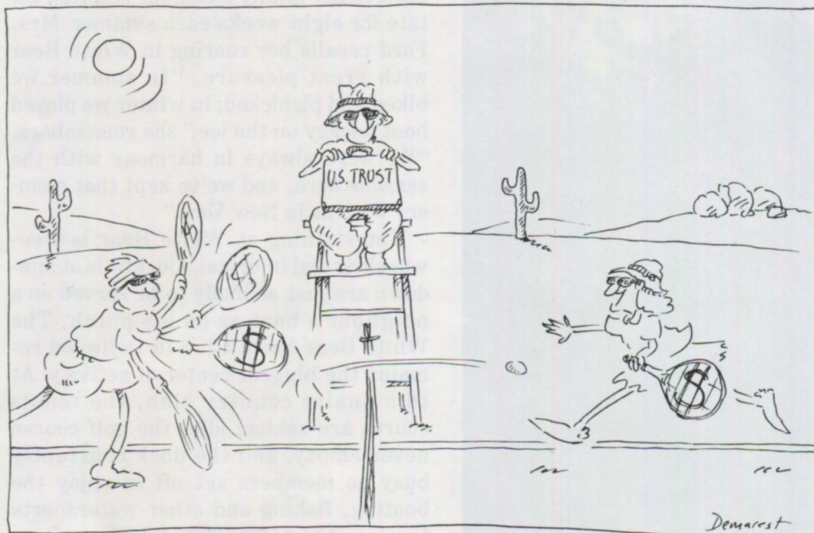


Camp Make-a-Buck

By John Sedgwick



Every winter, a dozen representatives of the U.S. Trust Company in New York City come to the desert outside Scottsdale, Arizona, to set up shop in a town appropriately named Carefree. There, at The Boulders—a luxurious, pueblo-style resort lined with duck ponds and surrounded by the lush green grass of three 9-hole golf courses—the trust company officials provide, for their wealthy clients, four days of seminars and personal consultation on the business of managing a large personal fortune.

"A lot of banks wine and dine their clients," explains John C. Hover II, one of the U.S. Trust's emissaries to Carefree. "We're the only one that educates them." Of course, U.S. Trust does manage to work in a little pleasure, too. While mornings are devoted to lectures on such topics as the tax code, estate planning and the bond market, the af-

ternoons are free for golf, tennis, jeep tours and balloon rides, and evenings are spent dining in any of the hotel's three restaurants and drinking in the piano bar.

Why come to a resort for such tutoring? Well, why not? It's a lot more fun than sitting around in the trust company's Wall Street high-rise, or even in its elegant 54th Street brownstone. As it is, the company regularly invites clients in during the Christmas shopping season for what it terms "fireside chats" about the clients' financial well-being, and it occasionally invites a group of clients to a Broadway show. But those occasions are too limited for a broad survey of the individual's entire financial domain, which the company believes can be helpful to the recent widow, say, or to the retiree, or to the family trying to teach its younger members about the financial ways of the world.

For that, more time and more space are

required, so the company has devised these four-day seminars, believed to be the only ones of their kind in the nation. And the truth is they're kind of fun. While the event is formally known as the Managing Wealth seminar, it is lightheartedly referred to by trust company officials as "camp." And that cheery spirit helps melt the reserve that often encases the wealthy, greatly speeding up the development of good relations between officers and clients. Says Jeffrey S. Maurer, executive vice-president and manager of U.S. Trust's asset management and private banking division, "The seminars can condense what would take five years into three days." Maurer jokingly adds that some "binding events"—in particular, one hair-raising balloon ride—have pared the process down to a few well-chosen seconds. "You get pretty close to someone when you nearly buy the side of a mountain with him," Maurer says.

Founded in 1853, U.S. Trust was the first trust company established in America, and it still occupies a nearly unique place in the wealth-management business, combining the investment skills of a brokerage house, the administrative talents of a fiduciary and the personal touch of a valet. It is said that U.S. Trust officers walk the dogs of their clients, but that is probably an exaggeration. Officers, however, have been known to type up term papers for their younger clients, to deliver money to the most out-of-the-way places (one officer flew to the Canadian outback to pay off a client's gambling debt) and to attend more funerals than the Vice-President.

The company believes strongly in the value of personal contact and makes it a policy for every trust officer to see each client twice a year. "We want clients to feel that they can pick up the phone and say, 'Hello, Mary; I'm worried about my grandson,'" says Mary Lehman, senior vice-president and manager of the financial counseling department. By the same token, the trust company officers must maintain the confidentiality of CIA agents, being careful never to mention names of clients in elevators, or leave papers out on their desks, or put out unsealed outgoing mail. (For this reason, by agreement with the company, no identities will be revealed here.) It can be a little awkward to see a client unexpectedly at a cocktail party. Lehman handles this by never officially recognizing a client until he has recognized her first.

Such delicacy is required because, as another trust company officer noted, "When you talk about money, you talk about everything." Trust officers are second only to psychiatrists in the intimacy of their view of the moneyed client. At U.S. Trust, however, the officers don't take such a professional view of themselves. "I think of myself as a friend of the family," says Maurer. As such, he has become something of a legend in the company for the lengths to which he has gone to help out a client in need. One time, he climbed aboard a cargo plane to personally deliver a coffin to a client whose mother

ILLUSTRATION BY CHRIS DEMAREST

had died unexpectedly while vacationing on Nantucket. Did he hesitate before climbing aboard with the coffin? Maurer shakes his head. "Any number of people would have done that," he says. Any number of people at U.S. Trust, he means.

For the most recent seminar this winter, thirteen participants traveled to the resort—seven of them day-trippers from the nearby Phoenix area, the six others live-in campers from further afield. With thirteen representatives from U.S. Trust also there, the teacher-student ratio was exactly one to one. The trust company must have been disappointed by the low turnout, although no one said anything. (Charging \$1,500 per person and \$2,500 for couples for the four days, the company, because of the low turnout, did not break even. In previous years, as many as thirty participants have shown up.)

The "guests," as attendees are formally termed, arrived Thursday evening and came by the trust company's ceo suite for petits fours and a chance to say hello before settling into their "casitas," or rooms, in the small adobe bungalows clustered about The Boulders' main building. Most of the guests were married couples in their sixties. Previously, the seminars had drawn a number of families with children, but this year only two father/son couples participated.

When U.S. Trust first approached The Boulders about holding seminars there, the resort management was reluctant to oblige, since it had a policy against booking groups of any sort; it had envisioned a hoard of polyester-suited tourists. In truth, the management needn't have worried. None of the seminar participants looked out of place here: each was polite, quiet and well-dressed, even in casual clothes. It was the trust company personnel who stuck out, what with their U.S. Trust-emblazoned short-sleeved shirts, ditty bags, windbreakers and tennis balls.

Two of this winter's guests, by remarkable coincidence, were Episcopal clergymen, which sent trust company officials scrambling for books on protocol that would instruct them on how to word the name cards: Right Reverend? Reverend? Bishop? In the end, the officials wrote out four versions of each card, letting the minister himself make the selection: each chose his name, without title.

After a first-night get-acquainted dinner, the work of the seminars began the next morning at 8:30 A.M. sharp. Participants sat in a large conference room at long tables covered with green tablecloths, and were provided with pitchers of ice water and bowls of mints. The joke is that the seminars start with death and taxes, but actually taxes come first, then death.

Robert Karson, senior vice-president and manager of financial planning, led the group through a brief history of the ever-changing tax code before laying out the "simplified" tax arrangements of today. Simplified, however, does not mean simple. What with the Alternative Minimum Tax and the five percent surcharge for certain

taxable income levels as well as other related matters, there proved to be plenty of complications to fill up a forty-five-minute talk. Uncharacteristically for a tax specialist, Karson conceded that taxes are as low now as they are likely to be for some time, and he advised the group to take tax hits now rather than postpone them. He illustrated this point with a slide from the Woody Allen film *Take the Money and Run*.

On to death, or, more delicately, estate planning, which was handled by Mary Lehman. She had described this as the "touchy-feely" portion of the seminars, and she began by pointing out that unlike the other U.S. Trust officials she cannot claim to be an expert in her field for the simple reason that, as she put it, "I cannot tell you what's important about your family."

In determining how to distribute an estate, she said, the first step is to find out precisely what that estate is by making a complete inventory of one's holdings, noting which items are owned jointly with a spouse and which are held individually. A will—which should be written—should, of course, take all these possessions into account.

Mornings are devoted to lectures on the tax code, afternoons to tennis and golf

Without it, the state will step in to make awards by its own often peculiar rules. In New York State, for example, if the decedent had no children, half the estate is awarded to the spouse, the other half to the individual's parents, which can be an unwelcome surprise to parents who have been passing their assets along during their lifetime so as to avoid inheritance taxes.

Mary Lehman accepted the general principle of equality among heirs, but recognized that there are occasions when it is necessary to make distinctions. In those cases she strongly urged the group to tell the heir who might otherwise feel gypped "what you are doing and why." That saves a lot of grief later, when the donor can no longer be reached for an explanation.

Then Stuart Aisenbrey, senior vice-president and manager of the trust department, took the podium to talk about charitable giving. After all the talk of taxes, he hastened to assure everyone that there are other reasons to give besides the tax advantages it affords: for one, it is a tremendously satisfying thing to do. It is not so simple, however. He went on to discuss such complicated options as a private foundation and a per-

sonal bequest to a community trust, among others.

To wind up the morning, the trust company zeroed in on "The Entrepreneur's Dilemma": whether and how to pass along the family business. Jeffrey Maurer noted that U.S. Trust settles between fifty and one hundred estates a year, handling everything from funeral parlors to baseball teams. Unfortunately, he said, only thirty-five percent of all family businesses survive the transition from the founder to the next generation, and a scant fifteen percent reach the third generation.

Georgia M. Urbano, vice-president at the private business advisory service, addressed ways to improve the odds. A large part of the problem is that while some of the children might want to continue in the business, others may very well not. How does the founder equalize all the children's inheritances? The family may not have the cash to buy off the children who don't want part of the company (although a life insurance policy might help here), and besides, there may be no good way of determining the cash value of the shares of those who do. What's

more, those shares may turn out to be valueless all too soon, for many times the children lack the founder's skill and succeed only in running the family business into the ground. For all these reasons, Urbano recommended that the founder determine whether an heir wants to or is able to run the company; if not, he might be better off selling the business during his lifetime.

That ended the day's work. After lunch, jeep rides were arranged for those who wished to head off into the desert for a closer look at the saguaro, prickly pear and "jumping" cholla cacti, the last of which is a real menace. (Wriggling deeper and deeper into its victim with its fiendishly hooked needles, it has a tenacity rivaled only by the IRS.) The high point of the ride was taking potshots at beer cans with a long-barreled Colt .22 pistol.

Some of the campers skipped the fun for private sessions with trust personnel. I was not privy to these discussions, of course, but Mary Lehman told me that no matter how chummy a trust officer might end up feeling toward a client, it can be awkward getting that first serious conversation started. Leh-

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man herself generally begins by asking her clients about their golf games. That way, she claims, "you can find out what they really want to do with their lives." Some simply want to play golf. Others have a variety of interests to pursue—travel, African art, an animal rescue league. Still others prefer to conserve their holdings for the sake of their heirs. A lot of information can flow from that one innocent question, Lehman says, information that can be very helpful in addressing the larger question at hand: whether to sell a business, how to increase income from capital, what to say in a will.

If Friday had been devoted to *divestment*—passing a fortune along—Saturday was concerned with *investment*, making the most of your money while it is still in your hands. Before the day's presentation commenced, it was evident that The Boulders had already started to work its magic, for the class had loosened up noticeably. "Good morning!" everyone sang out in near unison as Mary Lehman stood up in front of the class to introduce the first speaker. "Don't forget that at the end of the day we'll have a quiz," she joked back.

Laird Grant, senior vice-president and senior portfolio manager, took the podium to give the talk on the "search for value." She is personally responsible for \$1.5 billion of the trust company's investments, a fact that she admits causes her a few sleepless nights now and then. She did confide, though, that there are reasons for her to relax: the federal deficit is coming down as a percentage of GNP, and the October 1987 crash has had no drastic repercussions. Some of the results of the crash were salutary, such as wringing "speculative excesses" out of the market and bringing prices down to a more realistic level. Furthermore, she said, the new international competition is providing a needed reality check to American businesses; Soviet-style socialism appears to be in retreat; unemployment is down; corporate profits are up; and no recession is visible on the horizon. On the other hand—and all investment forecasters are two-handed—a recession or, God forbid, another crash might still come; President Bush and Congress might stay at loggerheads his whole term; taxes might be raised; LBOs might accelerate.

So, where to invest? Stocks and bonds, Grant advised—stocks for growth, bonds for security. She predicted stocks would continue to lead the field of investments for the next two years (as they have so far this decade), but that the growth will moderate from last year's surprising 15.4 percent for the S & P 500 to a respectable 12 percent a year, while bonds should rise 9 percent.

After a break, Grant got down to specific stock picks: a leading sprinkler-system manufacturer, a major natural gas supplier and a plastics recycler (her personal favorite).

"Trash to cash," she termed it. She showed a chart of favorites from previous years, most of which had shot up. Broadly, U.S. Trust's managed accounts were up 17.5 percent last year, edging out the Standard and Poor's 500 by .8 percent.

Then Kenneth J. McAlley, senior vice-president and manager of the fixed-income department, explicated the mysteries of bonds. He looked over the international market, noting how currency fluctuations affect a bond's total value. Last year, in dollar terms, Australia, up 29.41 percent, was a bond champion while Switzerland, down 12.33 percent, was a bond chump. On the domestic front, he admitted that the infamous junk bonds had grown at over 13 percent a year, but that the default rate has been edging up (5.46 percent in 1987 and 2.28 percent in 1988) to anxiety-provoking levels, so he couldn't really recommend them. He liked tax-free municipals—so much so that he played a promotional videotape to sing their praises in two-part harmony.

Finally, Laird Grant returned to talk about international investments. She took a bit of the sting out of the subject by suggesting that the class was, without fully realizing it, probably investing internationally already simply by buying foreign cars. Foreign stocks are decidedly attractive, she noted; many of the overseas results put the historic American bull market to shame. However, currency fluctuations make these investments a gamble. She herself leaned toward Spain as the next country to break out and, because of the upcoming Olympics in Barcelona and a new openness among the European Community, saw the Spanish telephone network as a stock to watch.

That ended the formal presentations. When Grant was done, Mary Lehman stood up to give out the awards: Best Prepared, Best Dressed, Closest to Heaven (which went to the Bishop), Best Breakfast Companion, Most Obedient Son (to one 40-year-old who'd come with his father). Everyone clapped politely. Then the guests strolled off to The Club for lunch and, for most, a round of golf. The next morning a balloon whisked them off for a raven's-eye view of the desert. Finally, a last lunch and a return from camp to reality.

Are the seminars useful? Probably, but less for educational reasons than for emotional ones; not for the classroom presentations, that is, but for the general relaxation that starts with the balmy desert air and then works its way in. As the days go by, one sees more smiles, hears more laughter, and by the end finds the campers are a lot more comfortable with the idea of managing their money than they had been at the beginning. Money may not buy happiness but, at the Managing Wealth seminars, it can purchase some peace of mind. □

MEN AND THEIR MACHINES

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memorabilia connected with firehouse life. His Historic Venerable Fire Company, as he calls the private museum on his farm, houses forty-four handsome, historic fire-fighting vehicles. Each piece has been painstakingly restored, using reference books and factory specifications, and every inch of red paint and gleaming chrome here is polished to the point of sterilization. When visitors come (by appointment), alarms sound and bells clang, bringing history alive. "If I could have chosen a perfect past life, I'd have been using one of these machines at the height of its glory," sighs Franz, a distributor of industrial and construction machinery. Then why didn't he become a fireman? "Too much waiting around."

Few collectors care to admire their machines all alone: before they know it, they've got a museum on their hands and a line at the door. For Tom Monaghan, founder, chairman and president of Domino's Pizza, nothing could be more convenient: most of his dazzling collection of over 250 classic and antique automobiles is housed in a grand museum near his company's headquarters in Ann Arbor, Michigan. That makes it easy to drop in on his two Dusenbergs, or the 1910 Silver Ghost Rolls-Royce with its sterling-silver appointments.

Monaghan's romance with cars started early. "In the third grade I knew every line of every car; I went around to every dealership in town and offered my help for nothing," he recalls. Monaghan recently wanted one supreme automobile—Ettore Bugatti's own Bugatti Type 41 Royale, Berline de Voyage—so badly that he paid \$8.1 million for it. (Although it's rarely driven on the roads today, Monaghan did use it to deliver a pizza on one occasion: to the head of Coca-Cola.) Now that he owns what many consider the world's most elegant automobile, what's left for the collector? "I have a list of cars I still want," says the insatiable Monaghan. "I hope to start a second museum."

So does aviation buff Robert J. Pond, as



Barrie Birks, Ben Kaiser and Eugen Maier at the annual dinner-dance at the Lotos Club, hosted by Baume & Mercier.

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his collection of war birds—twenty fighter planes and medium bombers flown by the Allied Forces in World War II—threatens to overwhelm the hangar space of his Planes of Fame East Museum near Minneapolis. Once considered little more than scrap metal, these noble and nostalgic planes now sell for about \$500,000. Pond and his volunteers regularly take them up, flying such veterans as his P-51D Mustang and a British Spitfire. “We can either watch these machines deteriorate inside,” he says, “or take the risk of flying them and so preserve their honor.” Each had its specialty, its hour of glory, well documented by the museum’s wartime photos of famous battles and pilots. And it’s not hard, watching Pond rev the props of a shark-nosed P-40N, to feel that each machine has its own distinct personality as well.

That’s certainly the belief of railroader Lowe Ashton, whose mobile Utah museum salutes the steam engine era of 1860 to 1930. “These locomotives are the closest thing to a human being that man has ever invented,” he declares. “Each train has a personality, and you grow to love some more than others.” Ashton will grumble that he’s “invested the family fortune in pieces of iron”—meaning his nine massive, black steam locomotives, two diesel engines and fascinating collection of signals, depots, coaches and cabooses. But the year-round visitors who climb aboard for a thirty-two-mile, old-time train ride down the wild Provo River Canyon have brought new prosperity to the little town of Heber City, Utah. Ashton is proud of that, and just as proud to have kept a precious piece of the West on track.

For shipping heir Peter Livanos, keeping on track means frequent visits to the race-car track, where a good number of his dashing little sports and racing cars have set records going back to the 1960s. Livanos was formerly a joint chairman of Aston-Martin, so it’s understandable that Aston-Martins form the core of his collection. But since his is an eighty-three-car family, there’s room, between his various homes, for rally cars, classic sports cars and such speed stars as two of the original GT40 racing Fords: one was a winner, the other a runner-up, at Le Mans. About ten times a year he loads his prizes into a truck and takes them off to roar in the bend again at vintage car races. “There’s nothing like it,” he grins, “for making the adrenaline flow.”

His restored and roaring-to-go past champs are now worth several million dollars each and are appreciating at a staggering rate. Which adds dire new meaning to the little word “scrape.” But, like most collectors obsessed with the romance of their machines, he downplays the whole subject of risk and financial value.

“I’d much rather my collection was worth

nothing than worth a lot,” he says emphatically. “Dollars and time spent are both irrelevant. The only thing that matters,” he says, lightly touching the polished curves of his Maserati ‘Birdcage,’ “is beauty.”

Others see beauty in the growling power of a Harley-Davidson motorcycle or, better yet, in a garage full of motorcycles. “I don’t want to ever have to be without one to ride,” says publisher Malcolm Forbes. And with forty-five bikes at his New Jersey estate, two on his yacht, four or five at his London home, a couple at the office and some more out at his Colorado ranch, it’s unlikely he will be. “This is the one area of collecting where ‘old’ is not what I’m into,” says Forbes. “With bikes, I’m in favor of the newest and hottest.”

For Forbes, motorcycles are simply the best way to go: he’s been known to screech up and park in front of New York’s ‘21’ Club. Weekends, he likes nothing better than gathering up a group of friends and heading out over the hills of whatever country he’s in. What’s the thrill? “A wonderful sense of independence, a oneness with the environment. You can smell the crops in the fields.”

For this leather-jacketed ceo, the magnificence of a machine is its go-power, its eagerness for the road and the wind. And, as any transported collector will tell you, one such beauty is never enough. □

HOW TO BUILD A CELLAR OF PRIZE CALIFORNIA FOR \$10,000

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fethen, plus Rhodes’ original “gang of four.”

In addition to these blue chips, there is a host of more recent arrivals like Bonny Doon, Carmenet, Chimney Rock, Clos Pegase, Domaine Michel, Duckhorn, Dunn, Grace Family Vineyards, Groth, Laurel Glen, Newton, Pine Ridge, Ravenswood, Spottswode and William Hill, producers whose Cabernets have developed a strong following. Even the French, at first loath to take California wines seriously, have become enthusiastic, evidenced by such highly touted joint ventures as Opus One (a Bordeaux-style blend launched in 1979 by Robert Mondavi with Baron Philippe de Rothschild) and the opulent Dominus Estate, which Christian Moeix of Château Petrus fame first released in 1988 with the daughters of the late John Daniel, former owner of Inglenook.

Nineteen eighty-five was an exceedingly successful vintage for Cabernets, and many are already available at retail or will be released fairly soon. Prices for such top-flight examples as those mentioned above will range from \$15 to \$50, with the average price at about \$25. So for about \$3,000, therefore, one can expect to acquire ten or so cases of ‘85s. To further hone their preferences, neophytes should allocate an additional \$750 for sampling roughly thirty-six bottles, which can be assembled with the aide of an experienced collector or wine merchant.

Since many top California wines are produced in minute quantities, allocation can be a problem. A sure means of securing a supply is to buy a futures contract. Explains John Hart of The Chicago Wine Company, “Futures are offered by vintners and wine merchants about a year or so in advance of a wine’s release. The wine is not delivered until after bottling, but you are guaranteed a set quantity at a price that is generally 25 percent below the eventual retail ticket.”

In general, prize-winning young Cabernets require another five to ten years before they begin to display their full complexity and depth of flavor. “It would be pure infanticide to consider uncorking an ‘85 or ‘86 right away,” remarks Rhodes. “They are simply too tannic and hard to drink now. Merlots are a better bet for earlier drinking, along with Pinot Noir.” Among the former, you’ll find good examples from Duckhorn, Rutherford Hill, Clos du Val, Matanzas Creek and Newton. California Pinot Noir has met with mixed results. But you will be more than pleasantly surprised with the elegant examples from Saintsbury, Chalona, Calera, La Crema, Kalin and Sterling’s new Winery Lake Vineyard. Depending on your preexisting supply of ready-to-drink reds, consider spending \$750 to \$1,000 for six or so cases.

You should count on spending another \$3,000 to acquire five to six cases of vintage treasures—a small but significant trove. Explains Andrew Lawlor, a young Michigan collector who has assembled a cache of 2,000 California wines alone over the past decade: “The only way to gain a valid perspective on a wine’s evolution is to compare whatever threads exist between a mature example and a new release. I first became convinced of California wine’s aging potential by tasting the superb older Cabernets from Simi and Louis Martini.”

Lawlor particularly recommends seeking out early Mondavi Cabernets from 1968, 1970 and 1974, plus older vintages of Stag’s Leap Cask ‘23 and Heitz Martha’s Vineyard. If you can uncover the outstanding ‘74 Beaulieu Vineyards Georges de Latour Private Reserve or ‘78 Ridge Monte Bello, you are in for a great treat. Proprietary blends