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## **An Advisor's Perspective**

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By Editor Test    *Tue, Apr 26, 2011*

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*Antoine Orr, president of Plancorr Wealth Management LLC in Greenbelt, Maryland, tells his clients to pay down debt and invest only what they can afford to lose. "African American wealth is more abundant than people think," he says.*

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*Antoine Orr is president of Plancorr Wealth Management LLC in Greenbelt, Maryland. A native of Edmonton, Canada, he worked at Waddell & Reed, MassMutual, and elsewhere before starting his own registered investment advisory firm. He is author of *Inside the Huddle* (Frostbite Publishing, 2009), a personal retirement planning guide. Instead of charging an ongoing management fee, he charges primarily by the service or by the hour. He spoke with RIJ this week:*

"Among my clients, there's about a 60/40 split between blacks and whites. I work with a lot of government employees—people who have been fastidious about putting over and above the match into their retirement accounts, who contribute as much as 10 or 15% of their pay. But I find that, regardless of background, some people are well prepared for retirement and others not so much. Even some of the doctors who come in are on both sides of that fence.

"I went to an Easter event a few days ago, and met an African-American guy, 55 years old, former military, who intends to retire in 10 years. He said, 'I have \$300,000 in my retirement account and I've been saving for 30 years. If I continue to put money in the stock market, will I have enough money to retire? Should I keep feeding this beast?'—meaning the stock market.

"My reaction: I focus on the tax-free end. Municipal bonds, cash value whole life, Roth IRAs. I show people how to pay down debt. Some folks are in pretty dire shape, although that's few and far between. They might have been putting money in the wrong vehicles. But they had done *what they were told to do*. Now they want to find the best thing to do. They wonder where they can go to accomplish the same goal but without taking as much risk. Most of my clients are already dealing with a financial planner, but when they come to me, they hear a different version. That gets their attention.

"I tell them about the Triad of Doom: Debt, Taxes, and Inflation. I say, let's do tax management, then debt, then insurance and savings, then retirement planning, then investments and risk. From a tax standpoint, I say, consider putting money into qualified plans. In retirement, you spend that down first, then move to the capital gains accounts, then spend down the last ladder of assets—the Roth IRA, the municipal bonds, and the cash value life insurance.

"In terms of investments, I say, Look at where insurance companies put their money. They put five or six percent into stocks and the rest into bonds. Why? Because they have future claims liabilities. The money has got to be there—so why take all that risk? If they say, but I'm investing for the long term, I ask, How long is long term? How long does it take for stocks to outperform all other asset classes? They usually say, 10 years. I say, *Really?* It actually takes in excess of 26 years. If your time horizon is less than 26 years, you're not investing for the long term.

“Are African Americans distrustful of financial institutions? That’s across the board. Whether it goes back to the Freedman’s Bank and Frederick Douglass days, I don’t know. Look—at this point in time, we’ve all been sold a bill of goods. We’re told, buy a house, invest, and have good credit. But to buy a house you have to go into debt. To invest, you have to gamble, and to have good credit you have to have a history of gambling. That works fine for the high-net-worth people. They can ride the wave. But the average American can’t play that game. One hiccup and they’re done. They’re wiped out. So it’s up to us to use common sense. That would be my take.

“I shift the focus from becoming wealthy to becoming *financially independent*. I was at the 2011 Color of Wealth Policy Summit two weeks ago, and we were talking about the racial wealth gap. They’re still saying that the way to build wealth is to buy a house and leverage it. I said, you’re telling me to borrow my way into wealth? I don’t understand that. If you really want to be financially independent, you have to know how to stick to a budget, how to keep debt low, how to save, how to have proper insurance, and how to set aside money into retirement planning vehicles. Then you can go out and invest what you can afford to lose. That’s the sensible process for 95% of the country. As far as distrust goes, it’s not just the African American community. I have Caucasian clients who have the same concerns. When they hear what I have to say, they say, ‘This makes sense to me intuitively. I’m not waiting on the pie-in-the-sky.’

“As far as there being a lot of financial stuff going on in the African-American churches, that’s true. The churches, unfortunately, have been a breeding ground for ‘prosperity preaching.’ But that’s true for non African-American churches too. When it comes to giving money to needy family members—that happens on both sides too. It’s the women who give, black and white, because of their nurturing side. They are willing to sacrifice for others. Men are more likely to say to their relatives, ‘You can work. There’s nothing wrong with you.’ But women keep that lifeline open with their sisters, their children, their cousins, and their close friends. The assumption is, ‘If I do it for you, you’ll do it for me.’

“But African Americans are not vastly at odds with the mainstream. There are African Americans with money everywhere. I have a friend who works in government. She’s a G8, with a salary of about \$50,000. To pass her on the street, you wouldn’t think she had two nickels to rub together. But she and her husband have over \$1 million in savings. A man I know who works for an IT firm who has \$300,000. I know African American doctors with \$500,000 in variable annuities. They may not have \$45 or \$50 million, but there’s a lot of wealth. African American wealth is more abundant than people think.”