

RetiremEntrepreneur: Lou Harvey

By Kerry Pechter Wed, Dec 4, 2013

Louis S. Harvey is president and CEO of Dalbar, Inc., a Boston-based research firm that performs a variety of evaluations and quality ratings of financial services practices and communications.

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Location: Boston, Mass.
Founded: 1976
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WHAT I DO:
Dalbar has been charac

terized as a 'policeman' of the financial services community. There are three areas of service that we focus on. First, we're well known for tracking investment behavior and activities related to financial services. Second, we perform qualitative and quantitative evaluations of business processes. The third area is certification. Our most closely followed report is the Quantitative Analysis of Investor Behavior, or QAIB. We do tracking reports for customer service, investor statements, websites and, most recently, for mobile devices. We've also issued reports covering fee disclosure, fiduciary changes, target date funds and asset allocation practices. As for our name, the 'Dalbar' brand name was arbitrarily invented. The name had to be unique, not offensive, not too long, not too short, easily spelled and pronounced.

WHO MY CLIENTS ARE: Our clients are, on one hand, financial institutions, and on the other hand, the advisors and suppliers to financial institutions. We work with investment firms, 401(k) record keepers, broker-dealers and insurance companies. If the company's brand name is generally known, then it is most likely a client of Dalbar's.

WHY PEOPLE HIRE ME: We intelligently combine quantitative and qualitative work. That's what makes us unique. Another factor is the process that we use. In order to achieve results for clients, we have technology that brings a lot of variables into a common platform, which then arrives at an evaluation. Technology is central to what we do. Our reputation, our brand and our history also make us unique.

WHERE I CAME FROM: I was born in Puerto Barrios, Guatemala, in 1942 and then moved to Jamaica, where I received a degree in physics from the University of the West Indies. Then I moved to New York. After a couple of months I got a card in the mail inviting all those 'interested in planning your financial future' to a meeting. At the meeting, a man started talking about mutual funds and diversification and investment management. I was wide-eyed. I was a scientist by education and a technical person by nature. I talked to him about getting involved in the business and that's how I got started. Dalbar was founded in 1976. I was able to fund my start-up through sufficient personal capital for the first few months, and never

looked back after that. I got my spirit of entrepreneurship from my mother. She had many wise sayings, the most memorable being, "You don't have to be rich to be independent." As for being a person of color, it has not affected the course of my career. If I suffered from racial discrimination, I was not aware of it. If I had access to set asides or affirmative action privileges, I have never used them.

HOW I GET PAID: We sell a variety of different products. There are some studies that we do gratis. We also do studies where firms pay a fee to participate and receive a copy of the study, as well as studies that firms request. Fees for evaluations also vary. We may do evaluations for a single firm, or we may syndicate our evaluations. Our evaluations of client statements, for instance, are syndicated valuations. The third bucket includes the certifications. For that we charge a uniform fee, which is a critical part of our credibility. Everybody pays the same fee, win, lose or draw. Dalbar is a private partnership.

MY RETIREMENT PHILOSOPHY: I am having so much fun working that I won't quit until I can't get up in the morning. I do have a strong senior management team in place that can operate without me. There is an exit plan for the business. As for annuities, I have no objection to them. They can play a critical role in retirement. But, I personally don't have a need for an annuity's benefits. It comes down to personal strategy. Unfortunately, most people aren't so lucky as me. They don't enjoy what they do. Also, hundreds of millions of people have suffered a disservice. They've been led to believe that if they save 5% or 6% of their income and invest it for 45 years, they can retire at 65 years of age at some level of comfort. Most researchers know that that's not true. People need to save three to four times as much as they're currently saving. Instead of putting money away for comfort in retirement, people are living too high on the hog today. It's not about moving financial chess pieces around. It's about saving more money. That, I think, is the only solution to this retirement problem.