

## Two years after Hurricane Katrina, a new lease — and view — on life

By Aaron Siegel

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NEW YORK — Gulf Coast financial advisers are standing on higher ground two years after Hurricane Katrina devastated that region.

Marking the anniversary, advisers in the New Orleans area have reallocated portfolios, restructured their businesses and have come back stronger.

“Financial advisers and clients have recovered fairly well,” said Joe Peiffer, a partner with Corroero Fishman Haygood Phelps Walmsley & Casteix LLP in New Orleans. “People have put more money with financial advisers, and it has offset some of the losses of people moving out of town.”

For Ralph C. Freibert III, president of Planning Associates of Louisiana LLC in New Orleans, the hurricane meant more than just picking up the soggy pieces — it represented a major shift in business strategy.

The disaster led the former general agent for Louisiana and Mississippi at Massachusetts Mutual Life Insurance Co. in Springfield to convert his firm from brokerage

to a full fee-only model, so that he could place a greater focus on helping individuals on a one-on-one basis.


“Katrina was the impetus that caused you to rethink your life and your lifestyle beyond your business,” Mr. Freibert said. “I got to spend weeks with family, and I don’t want to go back to being at the office at all hours.”

Mr. Freibert’s firm, which works with 100 clients and manages \$25 million, expects a windfall of clients but lacks the staff to service them. It is now in recruiting mode.

The firm wanted to make sure it was doing a good job with its current clients in light of the change of direction, Mr. Freibert said.

He had to change living arrangements in the wake of the storm, as he returned three weeks afterward to find that water had nearly reached the roof of his two-story home, Mr. Freibert’s neighborhood, near one of the levees, was decimated.

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The recovery at first focused on “triage [for his own home] and community service,” he said. Mr. Freibert’s home has been back in working order for 16 months.

He finished his last information filing related to the recovery Aug. 17.

“Now everything is back to normal [in my life], and I feel normal again,” Mr. Freibert said. “It feels good.”

### **Adjusting allocation**

H. Jude Boudreaux, director of financial planning at Bellingrath Wealth Management in New Orleans, had left for his in-laws’ home in Chicago in advance of Katrina. Although his home weathered the storm, he returned to find that his office had suffered severe water damage, and many windows were blown out.

After receiving large payouts from insurance companies, Bellingrath’s clients were letting a lot of money sit around uninvested.

As a result, Mr. Boudreaux moved his clients’ assets to money market funds that have brought in returns of about 4.9%.

Some of the firm’s clients preferred to use their own individual securities and picked up small laddered portfolios — for insurance proceeds — that were maturing in six months, 12 months, 18 months and two years, he said.

Most of Bellingrath’s clients had large liquidity needs in the wake of Katrina. To meet those needs, the firm brokered certificates of deposit in order to provide Federal Deposit Insurance Corp. protection.

“The aftermath has been about waiting and patience,” Mr. Boudreaux said. “People who managed to hang around [the New Orleans area] from Year One to Year Two are doing pretty well, so there are many success stories.”

Bellingrath has been successful during the past two years — its assets increased to \$50 million, from \$42 million, with almost all of the hike coming in the past year.

The storm was a boon for an adviser farther east on the Gulf Coast.

Bruce Coldsmith of Coldsmith Lee and Associates in Mobile, Ala., added five clients who had moved from the New Orleans area, he said.

Coldsmith Lee manages \$90 million.

“Most of my clients have very little understanding as to what that policy covers and how that payment addresses the implementation from their policy,” Mr. Coldsmith said. “We have gone through to adjust clients’ cash reserves to match the potential deductible and adjusted asset allocations, so we needed to make more money available in some cases for cash reserves.”

Mr. Coldsmith added that advisers who don’t monitor clients’ cash reserves and property-casualty insurance shouldn’t be able to call themselves financial planners.

One adviser succeeded with a precautionary approach. Shelley Ferro, president of Ferro Financial LLC in Metairie, La., said that her clients fared very well in the wake of Katrina because

they had mitigated risks and prepared for potential pitfalls.

Before Katrina struck, her firm, which has nearly 50 clients, insisted that clients have a proper plan in place in the event of a calamity, and made sure that they kept an emergency fund holding enough assets for three to six months, kept debt low, met with an insurance agent on an annual basis and constantly rechecked insurance policies.

“Having the good financial management in place worked out pretty well for this situation,” Ms. Ferro said. “Basic financial planning is about having a plan in place so that you can ride out the bad times but also take advantage of the good times.”

The disaster also served as a lesson for advisers.

“Advisers need to have some sort of backup plan because of all of the requirements for storing documents, and they need to do a better job backing up their communications so people have a way to get a hold of their adviser to access their funds,” Mr. Peiffer said.



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