InvestmentNews
The Leading News Source for Financial Advisers

Whitman/Eveillard/Milevsky: The wisdom of humility
By **Evan Cooper**

April 1, 2009

Those of you unable to attend *InvestmentNews*' third annual Retirement Income Summit on Monday and Tuesday missed a chance to hear investment legends Jean-Marie Eveillard of First Eagle Funds and Martin Whitman of Third Avenue Management LLC discuss the market and the current economy.

Moderated by Consuelo Mack of public television's Consuelo Mack's WealthTrack — the latest highlights of which appear regularly on InvestmentNews.com - Tuesday's luncheon panel discussion was lively, informative and unusually insightful. Given the rapt attention of the advisers in the audience, it was clear that Mr. Eveillard and Mr. Whitman commanded the respect of all present.

What struck me about the session was how often these two luminaries said, “I don't know.”

Here were two successful and wise investors — with years of experience over many market cycles — openly admitting their uncertainty and even errors of judgment in front of hundreds of advisers. If audience reaction was any indication (many advisers rushed up to speak with the two after lunch and one even asked for an autograph), no one in attendance was turned off by the speakers’ frankness. In fact, their honesty and humility probably earned them more respect than they already commanded.

The character of these men is worth noting, because, by comparison, other major financial players of late have been so undistinguished.

While the Obama administration admits it may err along the way in its multibazillion-dollar economic makeover, I haven't heard Treasury Secretary Timothy Geithner say “my bad” recently. He sort of admitted that he screwed up his tax filing, but as I recall the admission had that passive voice, “mistakes were made” kind of tone.

Mr. Geithner isn't the only one. Wall Street's masters of the universe rarely admit they are flying by the seat of their custom-tailored pants or that they goofed up. And I don't believe I've ever heard the General Motors chairman say, “Sorry, we made crappy cars for years,” or the head of the United Auto Workers admit, “Our demands are idiotic and we've helped kill Detroit.”

While I'm on my humility kick, I should mention the Retirement Income Summit remarks of professor Moshe Milevsky of York University in Toronto, one of the pre-eminent academics in the area of retirement income.

On Monday, advisers heard the professor discuss how human capital is an important foundation of a person's wealth. Over one's working years, he said, the human-capital component of wealth shrinks and one's financial wealth component increases; in retirement, the financial component provides income. Mr. Milevsky noted that some people, because of the riskiness of their jobs and income, bear more metaphoric resemblance to equities, while others who have stable, secure jobs, are more like bonds.

For “bond-like” earners, like Mr. Milevsky and other teachers, investments should be concentrated in equities, which is how he allocates his personal portfolio. For those with equity-like jobs, investments should be concentrated in more secure investments.

Since more and more Americans have lost the safety net of a defined benefit pension and have jobs that are less secure than ever, I asked Mr. Milevsky if that makes more of us “equities” — which implies that our investments should be more fixed-income oriented. He said, given current trends, a greater allocation to fixed income investments may make sense for more people.

Doesn't this contradict the prevailing “equities for the long run” approach that has dominated financial planning for decades?

After his talk, I asked Mr. Milevsky about that.

“I have questions about ‘equities for the long run,’” he said. “I'm just not sure.”

There it was again, a display of honest humility from someone who has thought about the subject thoroughly and is a lot more knowledgeable than the chattering “experts” on financial TV.

Isn’t it ironic that some of the most knowledgeable people around are not afraid to admit that there's much they don't know?