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Wealth Manager On The Money Mistakes Attorneys Often Make

By **Aebra Coe**

Law360 (November 24, 2021, 10:08 AM EST) -- Dan Furhman, a wealth manager at investment bank William Blair who primarily serves partners in large law firms, says he frequently sees attorneys who are so busy they pay little attention to their retirement accounts, investments and insurance policies, often leaving money on the table as a result.


Dan Furhman

Whether it's balancing paying off student loans with saving for retirement, transferring 401(k) funds amid a lateral move, choosing the right time to double down on an investment or get rid of it, or finding the next big investment opportunity, there are numerous issues attorneys face when thinking about wealth management, Furhman said.

"These are issues that are important and these are attorneys who are so busy with their professional lives it leaves very little time, and these financial issues take a back seat," he said.

Here, Law360 Pulse chats with Furhman about what attorneys need to avoid when it comes to wealth management and what opportunities they can take advantage of.

This interview has been edited for length and clarity.

What are some things that law firm partners come to you for and what are some challenges they face when it comes to wealth management?

Many attorneys work 60-hour weeks and just don't have time. People often have investment issues all over the place. You may have a plan here, an old insurance policy there, and people don't know where they're invested. The reality is many investors don't look very often at their investments or their insurance policies and they're unaware. They don't even know who the beneficiaries are. Is it an ex-spouse who's still the beneficiary of their old plan or their old insurance policy? These are issues that are important and these are attorneys who are so busy with their professional lives it leaves very little time and these financial issues take a back seat.

You also advise partners through lateral moves. What does that involve and what do they have to watch out for?

When attorneys are moving from one firm to another, it is a big deal and can be an emotional situation. When they get to the new firm, they're focused on moving their clients over and learning how to use the system, getting everything set up. They don't have a lot of time to figure out what to do with old retirement plans. And, frankly, often I'll run into partners who have two or three or even more orphaned 401(k) plans from former firms. And they can be very large.

What I do is help them consolidate, get them organized. Often they have a choice to roll them into the new plan or roll them into an IRA, and there's advantages to both. What you don't want is big pools of capital, retirement money, just drifting on autopilot. Usually it makes sense to help them consolidate. It's much easier to monitor your investments when they're consolidated versus spread out all over the place.

What unique issues do attorneys face when it comes to wealth management?

In terms of the things attorneys face, one thing they deal with — and this is both younger attorneys and partners at big firms — is student loans. Often attorneys come out of law school with $100,000 or more in student loans. That can be a big burden. So part of financial planning is figuring out how to address that issue while building for retirement.

When it comes to law school debt versus saving for retirement and balancing those two goals, what advice do you have for lawyers?

If your firm does any matching in the retirement plan, you should take advantage of that, because that's a great opportunity to build wealth. When it comes to law school debt and saving for retirement, I think there's real value in meeting with a financial planner to figure it out because it's complex.

The other thing is there's some great resources out there. And often these resources are available through a work retirement plan, often there's an adviser connected to their retirement plan. That's a great resource. There are free resources like Morningstar, which is a third-party website that provides incredible insight into different types of investing.

Lawyers have a reputation for avoiding risk. Do you find that's true when it comes to their investments?

In my experience, I've found lawyers to often be aggressive investors. There's always a wide variety, but they're a really smart group and I think they recognize there's opportunity in the markets. But they're also balancing that with risk. The nice thing about a retirement account is that there's time for these markets to recover. Even if the markets pull back, historically they've recovered. And so where you're risk averse in some places, often a retirement account is somewhere you can be growth-focused.

When individuals get close to retirement, I think it's important to be mindful of risk, just because the sequence of returns around retirement can have a big impact on sustainability of income.

In any event, I think long term it makes sense to stay invested, and I think you need to be maxing out your plans to any extent you can.

What advice would you give to young attorneys so they can set themselves up for success when it comes to wealth management?

The first thing is start investing as soon as possible, particularly in retirement plans. The opportunity for tax-deferred growth over time, compounding, is tremendous. That is one of the greatest secrets of achieving financial security in retirement is starting early and maximizing to the extent you can in terms of these retirement plans.

The other thing to keep in mind is that investing is a marathon, it's not a sprint. And so when you think about investments and what to choose, it's not a matter of what did well this last year or what's this hot fund. It's about staying invested.

The other advice I would give is consider investing in areas outside the United States as well. We think there's real opportunity investing internationally, particularly in high-quality companies with fortress balance sheets. And we also really like the emerging markets. There are incredible demographic trends throughout the world where you have people moving to cities, joining the middle class and becoming consumers. And companies that sell to those consumers we think are going to do well. And that's a great, long-term trend that we think is going to continue.

What can we expect over the next year when it comes to investments?

We've had great performance in the stock market for the last three years. It's been incredible. But the markets are now very expensive in terms of multiple ways of measuring how expensive the market is. In fact, the markets haven't been this expensive, in some ways, since the late '90s. It's a time to be very careful. We're going to expect continued volatility in terms of ups and downs in this market, but the focus again is staying invested and investing for the long term.

--Editing by Kelly Duncan.
