

### A Brief Conversation with Bert Whitehead

**W**ith this issue of Financial Focus we begin a new regular feature: Cambridge and You. The purpose of this feature is to share news, personalities, and happenings within the Alliance of Cambridge Advisors.

It is appropriate that we begin with an interview of Bert Whitehead, MBA, J.D., ACA founder and creator of many of the ideas and concepts Cambridge Advisors use. Bert talks about the new edition of his book, **Facing Financial Dysfunction: Why Smart People Do Stupid Things with Money**.

#### Alliance of Cambridge Advisors

**(ACA):** Bert, why did you write this book?

**Bert Whitehead (BW):** Through the years I developed many ideas that have become central to my approach to financial planning for real people; an example is Functional Asset Allocation, which integrates the value of your home into your overall asset mix. Functional Asset Allocation also takes taxes into account, something most allocation models don't pay attention to because those models were developed to guide multi-billion dollar pension funds. But for real people your home is probably your single largest investment, and taxes are your single largest expense. To leave them out of your calculations is just crazy.

Also important was my realization that endogenous factors (things you can influence) affect your personal wealth more than exogenous factors. For example, how much you earn and save has a much greater impact on your net worth than do stock market returns. I also came to recognize that discovering my clients' money personalities was critical, and I included that in my planning practice. The last one I'll mention here is my approach to risk analysis. I focus on discovering how much risk you already have in your life and not on finding out how much risk you can "stand," whatever that means!

Anyway, the idea behind the book is to show how all these concepts and practices actually work together to create a system, what has been called The Cambridge System, and is now — through the Alliance — being formalized into something called The Cambridge Core.

**ACA:** From what you are saying it sounds as if the center of your financial planning is the person sitting across the table from you.

**BW:** Remember the comic strip Pogo? Pogo said, "We have met the enemy, and he is us." That is why I titled the book **Facing Financial Dysfunction** and subtitled it **Why Smart People Do Stupid Things with Money!** All financial planning should start with a close look at the person across the table. This is one occasion when, yes, it is all about you. From the individual we then work out to the family. I think of my firm as being family-based advisors. Of

course, this point of view also leads to the endogenous view of financial planning and all that goes with that. All of these things are much more fundamental than your portfolio, and consequently we spend comparatively little time on investments.

**ACA:** OK, let me play devil's advocate here. If these ideas are central to the system that Cambridge Advisors use, why should clients — yours or mine or whoever — buy your book? Aren't you giving away the store here?

**BW:** The best, the happiest, clients are those who understand the general outline of what I am doing, what is going on. This book gives them that outline. When clients know where we are going and how we get there, then we work together effectively. ■ ■ ■

*Bert's book, **Facing Financial Dysfunction**, is available through Amazon.com, or an autographed copy can be obtained from Bert at [www.BertWhitehead.com](http://www.BertWhitehead.com).*

