

Maryland Business

& COMICS

THE BALTIMORE SUN | TUESDAY, JANUARY 25, 2011

For auto aficionados

From adventure riding to classic cars to Ferraris to Velociwagners, there's a website devoted to each and every obsession. **AUTOMOTIVE, PG 5**



SEC suggests brokers have fiduciary duty

Brokers don't have to act in a client's best interest when dispensing advice, but a new study from the Securities and Exchange Commission recommends changing that. The SEC staff report released late Friday says brokers should be required to have a so-called fiduciary duty to put clients first when giving personalized investment advice. Right now, only investment advisers must meet this higher legal standard. "Retail investors are relying on their financial professional to assist them with some of the most important decisions of their lives," according to the SEC report. "Investors have a reasonable



Eileen Ambrose
Personal finance

expectation that the advice that they are receiving is in their best interest. This would be an important advancement for investor protection — though whether it will come to fruition any time soon is not a sure thing. The five SEC commissioners must vote to adopt new rules, and two have already raised objections to the report. Even if new rules are approved, Congress could intervene and gut them. "There is a lot that can still go wrong," says Barbara Roper, director of investor protection with the Consumer Federation of America, who has **See AMBROSE, page 4.**

Before you invest

- Check the record of a broker or adviser with your state regulator. Marylanders can call the state's Securities Division at 410-576-7048.
- Look for a broker or adviser who has clients similar to you. If you're seeking advice on saving for college, for instance, you don't want an adviser whose specialty is estate planning. Ask about the adviser's education and work experience.
- Make sure you understand how your financial professional is compensated. Advice is never free. You'll pay for it one way or another.

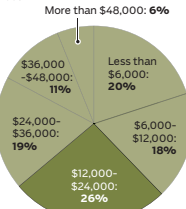
O'Malley's pension plan can't guarantee state's solvency

No, Gov. Martin O'Malley won't toss out traditional pension plans for newly hired state teachers and other employees, as Alaska and Michigan have done. He's not turning retiree health care plans over to the unions, as policymakers have proposed in New Hampshire. He won't cut cost-of-living adjustments for existing employees and retirees. That's what happened in Colorado, Minnesota and South Dakota, to great protest and litigation. The governor has avoided the most radical fixes for Maryland's troubled pension and retiree health care programs.

Even so, the proposed reforms are a substantial attempt at addressing one of the state's most alarming financial challenges. If the changes revealed Friday are enacted, they'll save taxpayers billions in coming decades without threatening Maryland's ability to hire and retain good people. O'Malley's plan "echoes a lot of reforms that other states have enacted," says Kil Huh, research director at the Pew Center on the States. "It's not clear that they'll be enough to fix things for the long term. If the economy, stock market and health care inflation don't cooperate, Maryland policymakers will find themselves in the same situation a few years from now. For all its problems, at least Maryland's system doesn't stink with abuse like pensions in, say, California. There is no "spiking" in the Maryland system, in which employees rack up overtime just before they retire to fatten pension checks. Maryland pensions are tied to base pay, says Michael Golden, spokesman for the Maryland State Retirement and Pension System. "Double dipping" is difficult because if retirees return to state work, their pensions are adjusted downward. (Some politicians do draw double pensions by collecting from **See HANCOCK, page 5.**

State retirement pay

Annual pension drawn by 123,000 state retirees:



SOURCE: Maryland State Retirement and Pension System
BALTIMORE SUN GRAPHIC



Thomas M. Geier, left, and Joseph N. Geier recently launched a new product intended to appeal not only to the firm's wealthier, better-known clients but also to mom-and-pop investors.

BARBARA HANCOCK
TAYLOR/BALTIMORE
SUN PHOTO

Whole new ballgame

Howard firm that started with celebrity athletes is now expanding into the mutual fund business

By Hanah Cho
THE BALTIMORE SUN

Joseph N. Geier established his namesake financial services firm in Howard County by cultivating an exclusive client list of professional athletes: Baltimore Orioles legend Cal Ripken Jr., New York Yankees first baseman Mark Teixeira and Philadelphia Phillies pitcher Brad Lidge. Over the years since it was founded in the 1990s, Geier Financial Group expanded the business by managing the money of other wealthy clients and high-net-worth retirees in Maryland. Now Geier is getting into the competi-

tive mutual fund business, having recently launched a new product intended to appeal not only to the firm's wealthy clients but also to mom-and-pop investors. "We wanted to open up our firm and strategy to everyday investors: a school teacher, a fireman," said Geier, the company's president. "Any person out there could invest in our fund... and we looked at that as a benefit to potential new clients and to the firm. The Geier Strategic Total Return Fund became open to investors last month under the firm's Geier Asset Management Division. The fund's man-

Geier Financial Group:

Founded: 1991
Employees: 16
Assets under management: \$180 million total
Geier Strategic Total Return Fund: \$27.5 million in assets
Professional athlete clients include: Cal Ripken Jr., Mark Teixeira, Brad Lidge, Melvin Mora, Jerry Hairston Jr., David Segui, Eddie Murray, Ken Singleton, Jake Westbrook, Willie Randolph, Steve Finley, Jeff Ballard, Chad Bradford, Charlie Hayes, Eric Young, Eric Young Jr., Dennis Martinez, Shane Reynolds, Reggie Sanders, Armando Benitez.

See **GEIER, page 4.**



Chuidian



Frazier



Koutrelakos



Patel



Thompson



Munoz



Liang



Harris



Sausville



Moody



Davis



Steckel



Stout



Moyers



Klug



McConnell

■ Howard County General Hospital has announced new professional staff officers for 2011. President Francis S. Chuidian joined the HCGH professional staff in 1996. He is with Pulmonary Disease and Critical Care Associates P.A. Vice President Claria G. Frazier has been a member of the HCGH professional staff since 1995. She is with Howard County Anesthesia Associates. Secretary/Treasurer Nicholas W. Koutrelakos joined the HCGH professional staff in 1989. He is with Maryland Oncology and Hematology P.A. ■ German Goldman & Ribak LLP welcomed Priya Patel to the firm as a network administrator. She received a bachelor's degree in computer information systems from Wilkes University. ■ Natalie Thompson joined as administrative assistant. She attended Morgan State University. ■ Kris Munoz joined the firm as bookkeeper/paraprofessional. She received an associate's degree from Massachusetts Bay Community College. ■ The American Diabetes Association announced that Lorrie W. Liang of Baltimore has been named to its board of directors. She is vice

president of Sinai Hospital of Baltimore. ■ Ramsey L. Harris was promoted to assistant vice president and branch manager at the branch of PNC Bank in Mount Vernon. He previously served as a financial sales consultant at PNC's Charles Village branch. Before joining PNC, he served as treasury manager and family development director at Abundant Life Ministries in Cecil County. He holds a bachelor's degree from the University of Delaware. ■ Edward A. Sausville, associate director for clinical research at the University of Maryland Marlene and Stewart Greenebaum Cancer Center, has been named an editor in chief of the journal Cancer Chemotherapy and Pharmacology. ■ Edison has hired Derryl Moody as supervisor of parking operations. In this position he will oversee parking operations of the Baltimore region. Moody brings more than 20 years of operation, sales and marketing management experience to Edison. ■ McLean, Koehler, Sparks & Hammond elected Kathy Davis as managing partner overseeing the firm's Hunt Valley and Frederick offices. She received a bachelor's degree in ac-

counting from George Mason University. The company also appointed Paul Steckel chief operating officer. Steckel is also a leader in the firm's tax practice. He is a graduate of Gettysburg College. ■ Jania Stout, who currently oversees the fiduciary consulting group at PSA Insurance and Financial Services, has been elected president of the Chesapeake Human Resources Association, a local chapter of the National Society for Human Resources Management. Stout is now director of membership development for the association. ■ Patty Kallmyer & The Integrity Team of Practical Carriers Realtors announced that Pamela Moyers joined the Roland Park office. ■ Diana Klug has joined the Village at Caris's Run as a retirement counselor. Klug will be part of the marketing team for Harbor County's first continuing-care retirement community to be constructed on 130 acres in Aberdeen next to Rippon Stadium. Most recently Klug served as director of community relations at Sunrise Senior Living/Bedford Court, a continuing-care retirement community in Silver Spring.

■ Hodes, Pessin & Katz announced that Ryan M. McConnell was sworn into the Maryland Bar and is now an associate in the firm's wealth preservation practice group. McConnell is a 2010 graduate of the University of Baltimore School of Law. He received a bachelor's degree in 2005 from the Johns Hopkins University. ■ Nine attorneys with Silverman, Thompson, Slutkin & White have been recognized as Super Lawyers, as published in Baltimore magazine: managing partner Steve Silverman, managing partner Andy Slutkin, Brian Thompson, Monica Scherer, Andy White, Avery Strachan, Creston Smith, Jamison White and Jason Wasserman. The lawyers were recognized for advocacy and accomplishments in the areas of business litigation, civil litigation defense, criminal defense, medical malpractice litigation, family law, real estate and personal injury. ■ Bowls & Jensen attorneys Robert R. Bowie Jr., Matthew G. Horsberg and Michael D. Oliver were named Maryland Super Lawyers in Baltimore magazine. ■ Nicole Windsor and Michael W. Siri were named Maryland Rising Stars.



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For financial group, a whole new ballgame

GEIER, From page 1
agers intend to heavily invest in bonds while also adding the mix among stock exchange-traded funds and real estate investment trusts, or REITs.
The Geier fund faces a crowded market. Thousands of fund products are vying for clients, who are returning to the stock market after two years of withdrawing record amounts from their investments amid the financial sector meltdown. Moreover, hundreds of new funds are launched each year, including nearly 800 last year, according to mutual fund tracker Lipper Inc.
New players in the mutual fund business also face distribution and marketing challenges, said Jeff Tjornehoj, a senior research analyst at Lipper. But Geier's fund can capitalize on its regional name recognition and celebrity clients, an advantage that many small firms don't have, Tjornehoj added.
Unlike more traditional mutual funds that seek to generate returns that are better than benchmarks, such as market indexes or groups of peer funds, the Geier fund will focus on "making the clients' bottom line grow," said Thomas M. Geier, Joseph's brother and the firm's vice president and chief operations officer, who will manage the new fund.
That means the fund aims to yield positive returns regardless of how the stock market fares. The firm's "absolute return" approach allows Geier managers to use derivatives or short selling during a market downturn to avoid losses.
Given huge hits on pensions and retire-



Members of Geier Asset Management: Joseph N. Geier, left, Thomas M. Geier, Brian Woods and Dan Mules.

ment savings during the recession, absolute return funds are "generating a lot of interest from advisers and more sophisticated investors," Tjornehoj said. "When it comes to product development, right now, absolute return is in play," he said, noting that big money manager PIMCO manages the best-known absolute return funds.

Thomas Geier said the fund's absolute return strategy would help differentiate it from competitors. Plus, the firm has a track record with that approach, which would help sell its new mutual fund to financial advisers and investors, he said.
The Geier firm has managed \$26.6 billion of its clients' assets during the past

nine years, using techniques and strategies that are substantially similar to the fund's. That portfolio posted a gain each year and had a 7 percent gross return during the nine-year period, according to the fund's prospectus.
That portfolio is assets under management that have been moved to the Mutual Fund, which now has \$27.5 million in assets.
After a topsy-turvy market, investors are looking for less risk and volatility. Thomas Geier said.
"When you talked to people five years ago, they wanted 10, 15 percent return. Now, 7 percent return is very good. People want low risk. They tell us, 'I'm tired of the roller coaster of the stock market,'" he said.
"We want to present ourselves as a conservative firm that cares about our clients and the ultimate growth of their portfolio."
While the firm developed its reputation by overseeing the financial affairs of professional athletes, Joseph Geier said the company's future is to increase assets under management. Geier Financial Group now manages about \$180 million in total for its clients.
Joseph Geier would like to see the mutual fund grow to \$1 billion in assets and eventually would like to add one or two more mutual funds to the firm's offerings. He said the firm isn't likely to become the size of Baltimore-based T. Rowe Price Group or other large mutual fund houses.
But, he said: "We'll be happy with two or three funds under our umbrella."
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Brokers should put clients' interests first, SEC study says

AMBROSE, From page 1
lobbed for a fiduciary standard for brokers for a quarter century. "But we just got an important step closer to that goal."
Brokers and investment advisers have labored under different standards for decades. Brokers must make sure an investment is "suitable" for clients.
"The broker has to do research about the investor, about their financial situation and risk tolerance to determine if a particular investment is generally appropriate," Roper says. But the broker doesn't have to take the next step and determine whether the investment is in a client's best interest. So your broker might determine you need a bond fund but can recommend the one that pays the highest commission.
Last year's financial reform law required that the SEC study whether brokers should come under the higher fiduciary standard. The hot-button topic generated more than 3,500 comments to the SEC, including some from insurance agents who could also come

under a fiduciary standard if they sell variable annuities.
The SEC report noted that investors often don't know the difference between brokers and investment advisers because they use similar titles, such as "financial consultant" and "financial adviser." And many investors erroneously believe that both acted in the best interest of clients. Investors shouldn't have to "parse through legal distinctions" to find out if they're getting the standard of advice that they expected, the report stated.
But not everyone is convinced.
As the SEC staffers released their report, the two Republican-appointed commis-

ers issued a dissent, saying more research is needed.
Commissioners Kathleen L. Casey and Troy A. Paredes say the report fails to justify the need to fundamentally change the rules and doesn't prove investors are being harmed under the current system. They added the study ignored the potential costs of new regulations that ultimately could lead to investors paying more for services or having fewer products to choose from.
It doesn't appear everyone in the industry is dead set against a higher standard — and that's a hopeful sign for investors.
The Securities Industry and Financial Markets Association released a statement saying it supports a uniform fiduciary standard for brokers and investment advisers. The trade group added that it will continue to work with the SEC to make sure that the role of brokers is not hindered.
"I'm very happy that the SEC recognized how important the fiduciary duty is to all investors," says Melanie Senter Lubin,

Maryland's securities commissioner. She says it's much easier for her office to receive investor complaints when there is a fiduciary standard involved than just a suitability obligation.
The SEC staff recommendations should please investor advocates as well as "ease the minds of members of the securities industry who feared a more extreme approach," Roper says.
The issue now rests with the industry worried they would no longer be able to sell investments affiliated with their firm because it might be a conflict of interest under a fiduciary standard, Roper says. The report notes that selling proprietary products doesn't necessarily violate a fiduciary standard, although the investments might require certain disclosures and investor consent beforehand.
The issue now rests with the five commissioners of the SEC. Let's hope they vote to protect investors.
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Investments in real estate investment trusts (REITs) and real –estate related securities involve special risks associated with an investment in real estate, such as limited liquidity and interest rate risks and may be more volatile than other securities. In addition, the value of REITs and other real estate – related investments is sensitive to changes in real estate values, extended vacancies of properties and other environmental and economic factors.

Investments in international markets present special risks including currency fluctuation, the potential for diplomatic political instability, regulatory and liquidity risks, foreign taxation and differences in auditing and other financial standards. Risks of foreign investing are generally intensified for investments in emerging markets.

An investment in an exchange-traded fund (ETF) generally presents the same primary risks as an investment in a conventional fund (i.e., one that is not exchange traded) that has the same investment objectives, strategies, and policies. The price of an ETF can fluctuate up or down, and the Fund could lose money investing in an ETF if the prices of the securities owned by the ETF go down. In addition, ETFs may be subject to the following risks that do not apply to conventional funds: (i) the market price of an ETF's shares may trade above or below their net asset value; (ii) an active trading market for an ETF's shares may not develop or be maintained; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

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