Numbers add up for 20-year-old HW Financial Advisors

JANE KAUFMAN | STAFF REPORTER
jkaufman@cjn.org | @jkaufmanCJN

What do a couple of accountants know about investing? Apparently, plenty.

Started by two CPAs, who are also accredited investment fiduciaries, HW Financial Advisors in Beachwood is celebrating its 20th year. It was in 1999 when Stanley J. Majkrzak enlisted Stephen L. Rudolph to help start the wealth management firm. Rudolph had experience both as an accountant at Arthur Andersen and as a financial adviser with Ayco and MAI Capital Management.

Starting with zero investments in August 1999, the company managed $2 million by the end of that year. Today, the firm's 10 employees manage assets totaling $612 million. It has an office in Columbus as well.

Majkrzak, the managing director, and Rudolph, who is president and CEO, have quietly made a name for the firm among high-net worth clients by taking a long view of the markets and a calculated view toward risk.

THREATS AND OPPORTUNITIES

That means that with every crash of the market – the March 2000 dot.com burst, the crash that followed the terrorist attacks of Sept. 11, 2001, the corporate scandals of 2002 and the 2008 crash following the real estate and bank collapse – the firm has maintained and, in some cases, has been able to add clients.

"During that crash, we blossomed," Rudolph said of the dot.com crash.

Majkrzak said, "They were taking a tremendous amount of risk without understanding it. And we're very much about risk, reward. We take risks, but they have to be reasonable."

After the Sept. 11 terrorist attacks, the stock market closed for three days.

"I mean it was chaos," Rudolph said. "We called every client we had.


Majkrzak


Rudolph

We explained it to them. … I think the key we were going to get across is, the emotions you feel during crashes, the anger, the helplessness, the whatever, those are real, so we're not arguing with you about that, but realize that we have no control."

Rudolph said that brought to the fore one of the core philosophies of the company.

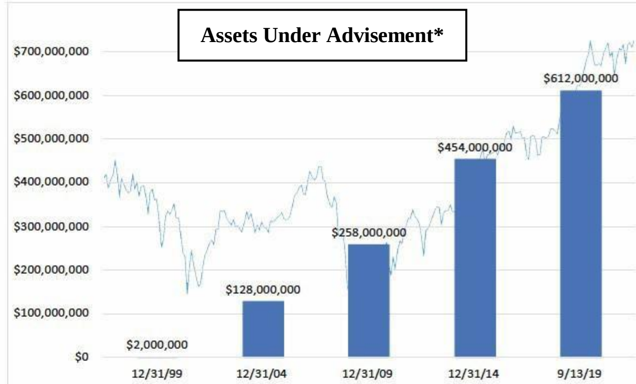
"We believe as part of our philosophy that nobody has a crystal ball," he said. "At some point the market's going to crash again … and the two people that day or week that said it will be on CNBC."

Rudolph said people who predicted the stock market crash of 2008 have been wrong since that crash.

"They've stayed negative," he said.

> ***"We believe as part of our philosophy that nobody has a crystal ball. At some point the market's going to crash again … and the two people that day or week that said it will be on CNBC."***
>
> Stephen L. Rudolph

* Figures represented in chart and in article depict assets under advisement



The Dow Jones Industrial Average is shown at different key points in the 20-year history of HW Financial Advisors. | CJN Illustration / Stephen Valentine

BUILDING A CULTURE

Majkrzak conceived of the idea to start a financial advising firm because of an unfilled need among his accounting clients at HW & Co., where he was a partner. He remained in both firms for several years, prior to retiring from accounting.

"We set a very high standard for working with our clients," he said.

The company culture places the client's interest first, rather than for personal gain, and working together as a team rather than as competitors.

Rudolph and Majkrzak have built their firm by consciously deciding not to hire people who had worked at other firms and might not share the values of HW Financial Advisors.

"A lot of what we've done is hired some incredibly talented people out of college so we can groom them over the years, over the last 20 years, into our culture," Rudolph said.

In order to reinforce that culture, the firm adopted a salary and bonus pay structure rather than commission. The firm charges fees based on asset size and, in some cases, a retainer for financial planning.

PSYCHOLOGY AND THE MARKET

"I think a big part of what we do is psychology," he said. "The pain of losses are more than two times the euphoria of gains."

Majkrzak phrased the same concept in a different way.

"Everyone wants 15% a year with no risk," he said. "It doesn't exist."

Majkrzak said it's rare for clients to tell the firm to pull out of the stock market.

"We don't have that happen too often, because we try to get their risk tolerance correct," he said. "We meet with our clients constantly to make sure we've got that correct."

Rudolph said he and Majkrzak were aware of the potential crash of the market in 2008.

"We knew that there was a housing bubble and a lending bubble," Rudolph said, adding that they advised clients to pull investment from real estate lending in 2006. "But we certainly didn't have the crystal ball, nor did we understand the tying of the housing and the lending bubble to the banks."

He said that crisis placed healthy banks into collapse.

"It crushed everything," he said. "It was a liquidity crisis."

At that point too large to make personal calls to every client, HW Financial Advisors did conference calls with clients.

"My theory was, which everybody hated, in crashes it's V-shaped," Rudolph said, adding that he studied the history of the market. "So, you go down and then you go back up."

The story didn't end with the crash.

"In 2009, the Dow Jones bottomed at 6,500," he said. "And today, we're at 27,000."

Who knows where the Dow will be in the next 20 years, but HW Financial Advisors expects to be along for the ride.