The Paul Merage School of Business

Center for Investment and Wealth Management

White Paper

I. Why a focus on Investment and Wealth Management?

The shifting demographic in the United States, characterized by a growing retired sector, is having a profound effect on many sectors of the economy including health care, housing, consumer goods and travel and leisure. Moreover, with longer life expectancies, families face complex choices as they attempt to adequately provide for current liquidity needs of retired members while planning for an equitable and tax efficient intergenerational transfer of wealth. Careful study of the impact of these choices on the economy is necessary to allow policy makers to knowledgeably plan for a smooth transition as wealth passes from one generation to the next. Just as importantly, there is a critical need for the both study and development of optimal wealth management techniques and the dissemination of this information to individuals and professionals. In response to these critical needs, the Paul Merage School of Business has established the Center for Investment and Wealth Management, whose mission is to become a nationally recognized source of research and education on issues surrounding the creation, management and intergenerational transfer of wealth.

This paper describes the Vision, Mission and activities of the Center for Investment and Wealth Management at The Paul Merage School of Business. While virtually all business schools have a focus on investment management, the complex set of issues surrounding the creation, management and intergenerational transfer of wealth are not adequately studied or taught in most major business schools. The Center’s mission is based on the need to more broadly understand a complex set of issues surrounding wealth management that affect both the future well-being of individual families and overall economic vitality. Effective strategies for the creation and management of wealth are important factors in achieving sustainable growth for the economy. Effective estate planning can provide a better life for individuals as well as opportunities to share this wealth with others through philanthropic causes.

The approach of the Center is to study these and related issues in a highly interdisciplinary and inclusive environment. Our intent is to draw upon expertise from across the University in areas such as mathematics, economics, computer science, psychology, business and law. In addition, the Center solicits the expertise of individuals in the community to mentor, teach and advise students, to develop and deliver timely programs for the community and to serve on an advisory board that helps to shape the Center’s strategy and activities.
The wealth management industry provides a broad array of financial services to private clients; in North America, the wealth management market is estimated to be more than $30 trillion.\(^1\) As such, the field of wealth management encompasses a broad range of issues including needs analysis, risk profiling, investment advice, financial planning, tax advice, inheritance and trust management, fiduciary services, art consulting, and Internet support. Products include direct investments in vanilla assets, such as publicly traded equities and fixed income assets and mutual funds, and alternative investment products such as hedge funds, private equity, real estate and commodities, structured products, and life and pension products.

Based on the above discussion, the many topics that are part of the Center’s focus include portfolio management strategies, the development of family vision and mission philosophies, analysis of inheritance, insurance, philanthropic strategies and tax issues associated with wealth creation, management and transfer. Related topics include budgeting, cash flow, risk management, legal aspects, credit building, pre-marital agreements, optimal transfer of wealth across generations and issues associated with family owned business succession.

II. Mission and Vision: Center for Investment and Wealth Management

**Mission:** The Center for Investment and Wealth Management at the Paul Merage School of Business will create and disseminate vital, applicable research and knowledge concerning investment management and the creation, management and intergenerational transfer of wealth.

**Vision:** The Center will be recognized nationally as a source of cutting-edge research and innovative programs that advance our understanding of and successful practice in the field of wealth management, including all of its relevant disciplines and audiences.

III. Activities of the Center

A. Overview

Orange County is the home of many businesses that provide services in the broad areas of investment and wealth management. Some of these organizations specialize in wealth management while others engage in various aspects of the wealth creation, portfolio management and transfer chain. Some of these companies include financial institutions, investment companies, law firms, accounting firms and wealth management companies. All of the Center’s activities will draw upon this breadth of expertise in the local community.

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\(^1\) Boston Consulting Group (2005), Global Wealth 2005
The Center has the benefit of a highly innovative, highly skilled faculty by blending business school faculty members, affiliated faculty members from elsewhere on the UC Irvine and other campuses, and adjunct faculty members from the wealth management professional community.

Very importantly, the Center draws upon the expertise of leaders in the community who are actively engaged in the Center’s strategy and activities as members of the Center’s Advisory Board. The Board meets quarterly to discuss programming, curriculum development, and ways to further provide services to meet the educational and research needs of the community.

As with all initiatives in The Paul Merage School, the Center’s activities are focused on fulfilling the teaching, research and outreach missions of the School. With respect to degree programs, in addition to the already existing investment management career path, a wealth management focus will be available in the MBA and undergraduate programs in the Merage School. The Center is also the hub for research study and discussion of current critical issues facing the investment and wealth management industries. A critical part of the Center’s mission is to provide timely information to help educate the community about the complex myriad of items that need to be considered to develop and optimal wealth management strategy. This information will be delivered through an innovative web site, executive programs, conferences and symposia, a research working paper series, and other important means of engagement with the professional community and the public at large.

The Center’s research and community outreach programs will provide the nexus between development and wide dissemination of existing and new approaches to successful practice. The Center will be a thought leader and source of innovative analysis of new methodologies and policy as well as a provider of careful analysis and critique of existing practices.

B. Wealth Management in the Curriculum

The Merage MBA program is designed to develop leaders of strategic growth in the global innovation economy. The Center for Investment and Wealth Management will apply those principles to the wealth management industry.

Students in our Full-time MBA program, our Fully Employed (part-time) MBA program and eventually in our developing undergraduate program will have the opportunity to explore the investment and wealth management areas through a series of courses and extra-curricular activities.

C. The MBA program

In the first year of the full-time MBA program, the curriculum provides solid grounding in basic business education, including marketing, finance, accounting, strategy, operations and decision technologies, organization and strategy, and information
technology. A thematic approach, based on the drivers of strategic profitable growth, is incorporated throughout MBA curriculum.

The School has identified the following drivers of strategic growth:

- Information technology
- Strategic innovation
- Analytic decision-making.

In the investment and wealth management industries, the strategic use of information technology has enhanced productivity in all aspects of investment/portfolio management, estate and tax planning. The Merage MBA program incorporates the study of information technology and the strategic innovation process, including both underlying theory and ample application via case studies, projects and guest speakers.

The concept of analytic decision making is captured through an experiential component of the program through projects with companies in the OC community. Students are presented with a somewhat amorphous problem and are asked to identify key questions, bring together the data necessary for the analysis, create a business case, and carefully and convincingly present and “sell” the case both internally and externally. Each student will gain this experience by working on a project inside a local firm within the wealth management community. These projects will be overseen both inside the company and by a faculty member. This experiential component results in a value-added project for the company and a unique valuable experience for the student.

Second year MBA students will be able to choose a focus in wealth management by taking an overview course and a number of other courses in finance, marketing and other areas.

In addition, all MBA students in their final year of the program can compete to become a participant in the Polaris Investment Competition program, an optional, extracurricular activity which provides MBA students with a practical learning experience in:

1. the evaluation of companies; strategically, financially, operationally and managerially.
2. small team decision-making, requiring critical thinking and analytical processes.

This program, overseen by Chuck Martin from Mont Pelerin Capital, forms student teams of 4-6 members, each of which develops proposals for the purchase of up to $300,000 of stock (maximum: $50,000 per student team member) in one or more companies (3-6 recommended). The program gives students the opportunity to earn an economic reward up to an amount determined by the performance of their investment portfolio and their rank in the competition with other participating teams. Students search through, screen and evaluate companies listed on the NYSE or NASDAQ exchange in an effort to find companies that exemplify the best qualities in business and are worthy of investment. Students are then required to assess investment worthy companies’ strategic position,
financial performance, market outlook, management, etc. and the valuation of its publicly traded stock.

Finally, the MBA program ends with a highly innovative course, called “edge” which provides a careful study of trends affecting business over the next five years. These trends include: advances in technology, macroeconomic and geopolitical trends, demographic trends and new approaches to strategic leadership in business. The course will attempt to determine how these trends are likely to affect business strategies, new product development, and organization structures. The opportunities provided through the Center will allow the students to focus on the trends influencing the wealth management and the wealth management industry.

In sum, every graduate of the MBA program who focuses on investment or wealth management will have a solid background in the fundamentals of business operations and strategy, an in-depth knowledge of finance and related fields critical to wealth management, hands-on experience provided by working on a value-added project at a company, and a strategic overview of the current business climate illustrated by an analysis of key trends. Moreover, our graduates will have exceptional communication and leadership skills. The School takes a deeply personal interest in the success of each student and will provide specialized additional training in these areas.

D. Center Programs, Conferences and Events

The Center for Investment and Wealth Management is in the process of developing and offering a series of courses designed for individuals, families and practitioners that effectively address timely topics. To date, we have offered a one day seminar entitled “Your Life, Your Wealth and Your Legacy” which provided an overview of wealth management issues. This program, offered in January 2008, focused on nuances of wealth management options and gave attendees the tools and information they need to make better long-term decisions.

We have also offered a program (Retreat) for young adults in high net worth families. The Retreat provides a hands-on, interactive experience designed to empower individuals with financial and life skills knowledge that can be used to:

- Identify financial and lifestyle goals
- Understand cash flow and how to use credit and debt appropriately
- Protect against identity fraud
- Design and implement an investment portfolio and evaluate its risk and performance
- Know how taxes are calculated and important strategies to minimize them
- Evaluate and compare professional advisors
- Improve interviewing skills
- Understand how to research and compare major purchases
- Understand the concepts of inheritance and marital property rights
➢ Understand titling and legal documents needed to protect current and future wealth
➢ Understand the role and responsibility of the individual for sharing wealth through appropriate philanthropic causes as well as various methods for achieving philanthropic goals.

E. Center Advisory Board and Charter Members

The Center has been very fortunate to have received an excellent response to the call for support; we have had Charter Members pledge almost $2 million to help launch the Center’s activities. We have been fortunate to have Mark Moehlman volunteer to Chair the Center’s Advisory Board, which consists of the founding members. The list of Charter members is included in the Appendix.

F. Center Committee Chairs and Charges

The Center has established several Board Committees that are focused on further development of the Center membership, programming and the web site as follows:

Membership Committee: Mark Moehlman, Chair
Community Programs for Individuals and Families: Pam Adams, Chair
Programs for Practicing Professionals: Laine Ainsworth, Chair
Networking and Programming for High Net Worth Individuals (Prosperitas):
   Frank Kavanaugh, Chair
MBA Program Development: Camille Jayne, Chair
Web-site Development: Darren Whissen, Chair

Committee Charges:

Membership Committee: To increase the number of Center members to meet annual goals.

Community Programs for Individuals and Families: To modify the one day program and to develop additional programming, perhaps focused on (a) family owned business issues, (b) issues specific to women and (c) in depth examination of other issues that are broadly covered in the one day overview program.

Programs for Practicing Professionals: To assess the needs of individuals in the wealth management industry and develop and offer programs to meet these needs.

Networking and Programming for High Net Worth Individuals: to develop an arm of the Center, Prosperitas, that will engage the specific needs of high worth individuals and will offer programming and network opportunities. A more complete description of these activities is included in Section G below.
MBA Program Development:  To (a) work with a faculty member in the Finance area in the Merage School to develop and deliver an overview course in the MBA curriculum on wealth management, and (b) offer advice on the curriculum in investment and wealth management.

Web-site Development: To work with the Merage School staff to develop the strategy of the web-site for the center.

G. Prosperitas

The details of this program are in the process of being developed.

H. Research

The Center will produce research that both adds to the fundamental base of knowledge in wealth management and provides applicable, relevant source material for the professional community. Topics for study will emanate from issues confronting the practitioner as well as foundational issues that arise from theoretical approaches.

Other focus topics include teaching responsibility regarding inheritance in terms of non-profit or charitable activity. This includes the roles of philanthropy and family foundations, outright gifts, planned gifts, gifts of stocks, bonds, real estate, etc.

IV. The Paul Merage School of Business

The University of California, Irvine is a world-class leader. Ranked among the top dozen public universities in the U.S., the university has attained a level of prestige in its brief 43-year history that has eluded many older institutions.

The Paul Merage School of Business is also relatively young. Named in 2005 with a very generous gift from Paul and Lilly Merage, the School is well known for it’s strength in important business disciplines (Information Technology, ranked 4th, Wall Street Journal, 2004 and 2005; and Marketing, ranked 3rd, Business Week, 2005) and many of its programs (our Executive MBA was ranked 15th on the U.S., Financial Times, 2005). The school is ranked in the top 10% of all accredited business schools (U.S. News and World Report 2003-2007). Given the astonishing success of the Merage School and the University over such a short period, the vision to achieve the same degree of success for the Center for Investment and Wealth Management is both exciting and realistic.

The combination of a widely acclaimed university and business school and the expertise of the professional wealth management community from one of the wealthiest areas in the world provides an unparalleled opportunity to develop a Center for Investment and Wealth Management that will stand alone as truly distinctive.
The mission of the Merage School is to enhance socially responsible and profitable business growth in the global innovation economy. The focus on social responsibility at the School provides additional expertise around the important topic of Wealth Management and the myriad of philanthropic issues that surround the effective management and transfer of wealth.

In addition, the University of California, Irvine, provides the ideal setting to convene national leaders from academia and industry to address wealth issues facing individuals, families and professionals. The location of the Center within UC Irvine’s Paul Merage School of Business reflects the importance of the growing community of wealth in southern California and the industry that supports it. The Center’s research activities will build upon and contribute to the Merage School’s established strength in delivering excellent educational programs, including its national recognized Executive MBA program and highly ranked full time MBA program.

Equally as important, the Center for Investment and Wealth Management is breaking new ground as a program located in a top-ranked business school. Only one other top tier business school in the nation has focused on wealth management as a career path for MBA students, outside of the narrow focus on portfolio management. By offering the breadth and depth of the activities and research that would be available through the Center in addition to the access to a well-established community of professional wealth managers, the Merage School will set itself apart as the leader in the knowledge, expertise, research advances and leadership within this industry.
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