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Research

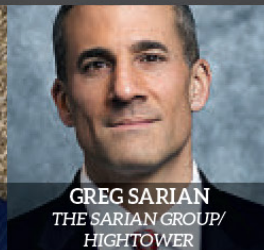
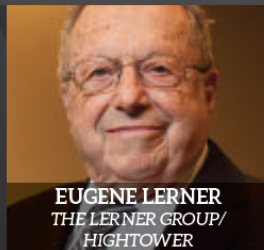
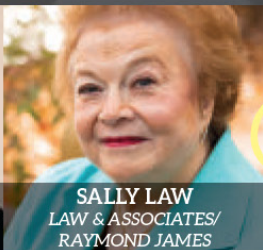
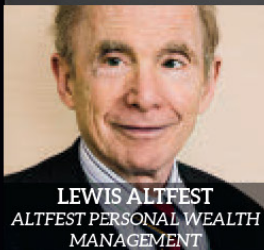
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A portrait of Eugene Lerner, an older man with glasses, wearing a dark suit, white shirt, and striped tie. He is smiling and standing in front of a large window with a view of a building and trees. The name "Eugene LERNER" is overlaid on the image in a large, stylized font, with "Eugene" in yellow script and "LERNER" in white block letters.

Eugene LERNER

*Managing Director/Partner/Founder
The Lerner Group
HighTower*

CAREER BEGAN
1972

HOME BASE
Deerfield, Illinois

CIVIC AFFILIATIONS
*Max McGraw Wildlife Foundation,
Jewish Federation*

GENE LERNER HAS ALWAYS BEEN DRIVEN BY A VERY simple question: How do you make a little? In the 1960s, while teaching finance at Northwestern University, he ran simulations on thousands of companies looking for winners that would do just that. Today, Lerner says, “I still keep the simulations going. Same goals, nothing’s changed. How do you make a little?”

At 86, Lerner is still very much a work in progress—just like the markets he watches so closely.

“Once you understand there is no rule for all seasons, the question becomes: How do you find the new rule? Change in this business comes in two ways—first from the client, secondly from the market. You must forever be flexible, recognizing the needs of the client change and,

PHOTO BY TOM MCKENZIE

equally important is that the world changes,” he observes. “John Maynard Keynes was a pretty good economist who said: ‘The markets will remain irrational longer than you can remain solvent.’ I believe that deeply.”

Don Jacobs, dean emeritus at Northwestern University’s Kellogg Graduate School of Management, recruited Lerner nearly 50 years ago and he says only one thing about his friend has remained constant: “He thinks of nothing else but the markets. He has such a fantastic mind. He’s one of a kind. There are no two Gene Lerner walking the street, that’s for sure.”

Nothing about Lerner seems to operate in a straight line. His world is one of zigs and zags. So no surprise, then, that his career has had so many trajectories.

As an academic, he taught at the graduate business school at New York University, City College of New York and UCLA before joining the Kellogg Graduate School of Management in 1966. Notably, he received his Ph.D. in economics from the University of Chicago where the legendary Milton Friedman was his thesis advisor.

Lerner’s government experience includes service as a senior economist with the Federal Reserve Bank of Chicago, economist to the House Banking and Currency Committee, and consultant to the Federal Deposit Insurance Corporation and Internal Revenue Service.

Lerner, who has lectured worldwide about the field of finance, also served on the Board of Governors of the Chicago Stock Exchange, participating in an initiative that lowered bid-ask spreads for all transactions, and paving the way for a new product: the exchange-traded fund.

Lerner’s research project at Northwestern—all those simulations—launched his career as a financial advisor. In 1972, he formed Disciplined Investment Advisors, primarily serving institutional investors such as the pension funds of Illinois judges, Volkswagen, Avon and unions, among others. When the market changed and his value strategy went out of favor, Lerner nimbly changed direction by targeting high-net-worth clients.

“The advantage of dealing with high-net-worth people is you are talking to decision-makers,” says Lerner, who moved his group to Morgan Stanley in 2001, joining HighTower just two years ago. “You don’t have someone in-between second-guessing you.”

Today, The Lerner Group serves 350 households with roughly \$900 million in assets under management. Lerner arrives at work at 8:00 every morning, revising portfolios and putting models to work for each client. Everything is individually managed and he and his partners, Walter Gondeck, Jr., and Mingdong Tan, personally own every stock

that their clients own. “It gives us skin in the game,” says Lerner, who has co-authored eight books and published nearly 60 articles during his career as a financial advisor. “Our order is simultaneously placed with our clients’ orders.” Several million dollars of transactions are processed every single day.

Lerner says he joined HighTower so that he could continue to innovate. During his tenure there, the group has become a serious bond trader interacting with 60 different firms. Another new initiative involves outreach to the local Chinese-American community, whose investments

are largely tied up in real estate.

Most advisors at 86 would not be going to the office every day, if at all. But that’s not Lerner.

“This is the most wonderful business in the world. Every day, there’s something new,” he says. “Why would I retire? There is continuous change going on and it’s enormously exciting. Every day I come to work is a pleasure. Every day is different.” During his down time, Lerner reads. He especially likes the work of Rabbi Jonathan Sacks and its emphasis on responsibility. Lerner himself believes: “You’re obligated to give and to make a difference. That’s why we are here, among other things, to be of use and be of value.”

Lerner also likes to fish, which he does twice a week in search of bass, bluegill and walleye. He calls the experience “glorious.” Then, he adds, “And of course you take someone with you and talk business the whole time. I’ve made a little while sitting there dreaming. You’d be surprised at how much money you can make when dreaming.” **R**

“John Maynard Keynes was a pretty good economist who said: ‘The markets will remain irrational longer than you can remain solvent.’ I believe that deeply.”