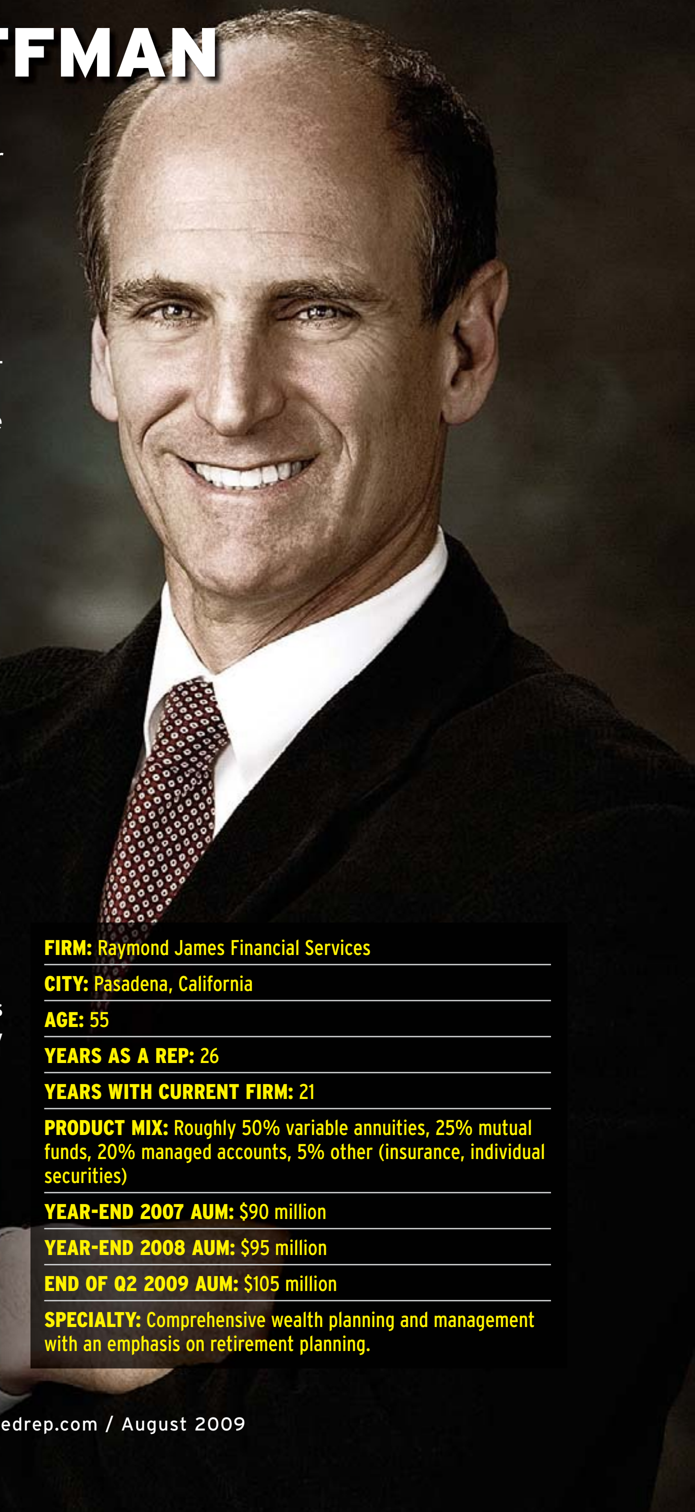
BEAR MARKET STARS

THREE FINANCIAL ADVISORS WHO BROKE EVEN OR BETTER LAST YEAR DESPITE THE DEVASTATION IN THE MARKETS.

MITCHELL E. KAUFFMAN



Registered Rep.: Your production increased almost 50 percent in 2008 over the prior year. How did you accomplish this?
Mitchell Kauffman: I don't know that there is one magic answer. One part of it is our investment philosophy. For a number of years, we embraced a model where we used downside protection to allow us to potentially do well when the markets are up, but have some kind of a protection on a lump sum basis, or a cash flow basis, should the markets go down. For example, in the late 1990s, equities and indexed annuities were a part of it, so we were locking in market profits then. When the markets started tumbling in 2000 and 2002, we were still locked in at 1999 levels. So we had lump sums that were available at 1999 levels. For clients who didn't need the money, we could invest it at 2002 levels. Then 2003 and 2004 came along, and everything shot up and we had a leverage effect. This time around, because interest rates weren't that attractive, we used variable annuities with living benefits, and FDIC insured structured notes, instead.

RR: What measures did you take last year to prepare for the downturn?
MK: When we saw the markets start to unravel in 2007, we were constantly on the phone with clients to make sure they were sufficiently protected so that they could sleep at night. For a number of them, that meant increasing exposure to variable annuities and structured notes. We were also very fortunate to have a number of structured notes that were commodity based. In 2008 we had a number that had doubled in value in three years, and we fortuitously looked at those and said, "Let's not be greedy, let's take some of this off the table." Right afterwards, during the summer of 2008, the price of oil fell so we moved some clients into other types of structured notes. We moved other clients, depending on their cash flow needs, into CDs or different types of variable annuities. I tell clients when you're in the middle of something like this it looks like it is never going to end. So in the late 1990s, we had the tech bubble, and it looked like the roads were paved with gold as far as the eye could see; then we got into the real estate bubble, commodity bubble, and now we're in a different kind of bubble. We're in a panic bubble, where everyone is afraid to own things; like the rest of them, this will pass.

RR: What are some essential challenges you see yourself (and other advisors) facing right now? How do you plan on overcoming them?
MK: One of the challenges is that people are overwhelmed, particularly prospective clients. Like ostriches with their heads in the sand, they don't want to look at what is going on. But now is the time to get proactive and look at how your clients are positioned. If investors are sitting on the sidelines in cash waiting until they hear good employment news, they need to realize unemployment is a lagging indicator and they're going to miss the rebound.

FIRM: Raymond James Financial Services

CITY: Pasadena, California

AGE: 55

YEARS AS A REP: 26

YEARS WITH CURRENT FIRM: 21

PRODUCT MIX: Roughly 50% variable annuities, 25% mutual funds, 20% managed accounts, 5% other (insurance, individual securities)

YEAR-END 2007 AUM: $90 million

YEAR-END 2008 AUM: $95 million

END OF Q2 2009 AUM: $105 million

SPECIALTY: Comprehensive wealth planning and management with an emphasis on retirement planning.