

Active investment management's weekly magazine

# proactive advisor

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◀ Leo Do Carmo

## Breaking the barriers to success

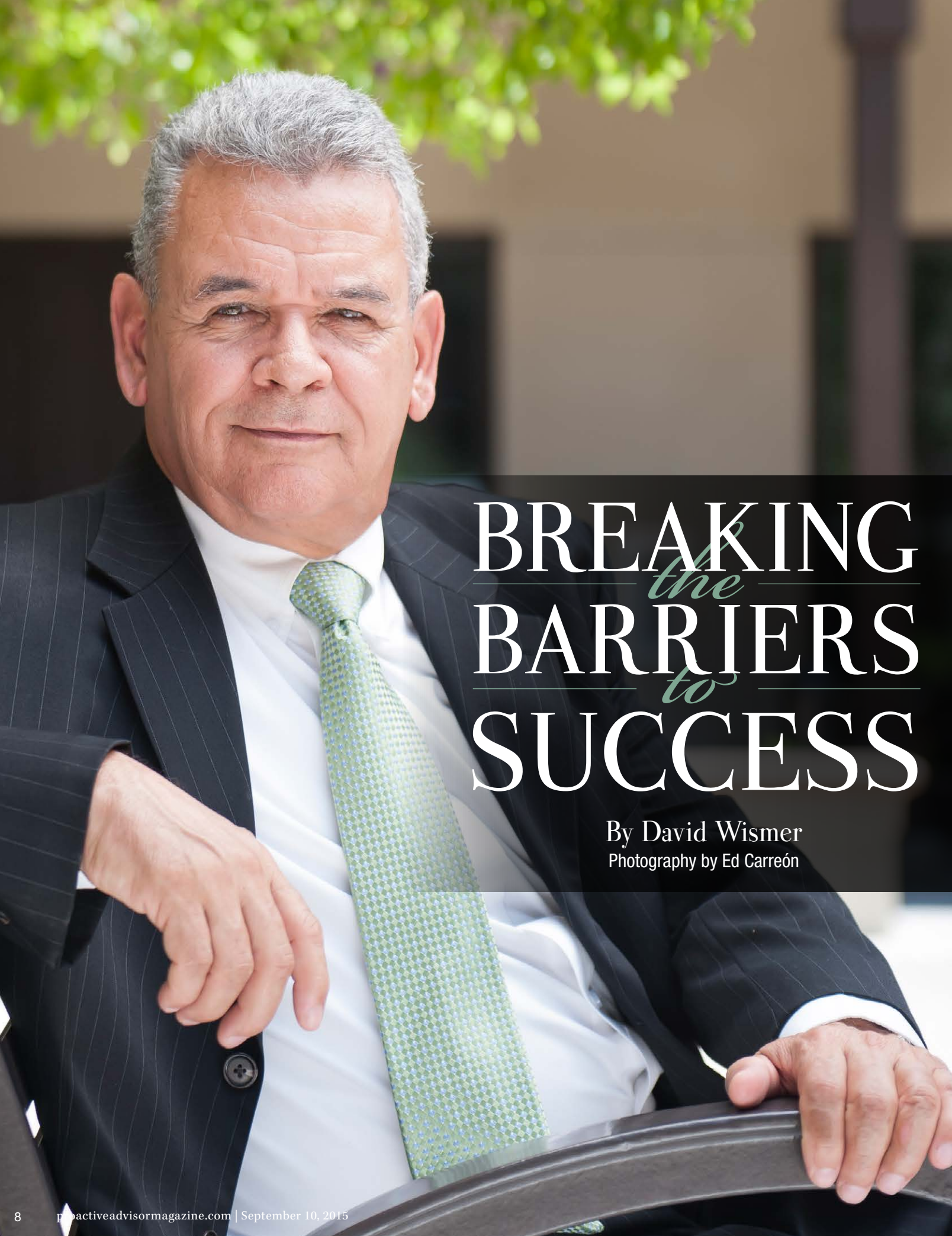
### Investors looking for answers

Demand is on the rise for risk management

Examining the influence of 'Death Crosses'

A 'Main Street' perspective on prospecting

Auto sales continue to drive higher



# BREAKING *the* BARRIERS *to* SUCCESS

By David Wismer

Photography by Ed Carreón

## Proactive Advisor Magazine: Leo, what is most important to you in working with clients?

I came from a very modest background in Brazil and have worked very hard for everything I have been able to achieve over the years. Certainly I am not alone in that, but it gives me a deep appreciation for how fortunate we all are in being able to build and save for our futures.

As a financial advisor, I see far too many people who are poorly prepared for what lies ahead. We live in a country that has one of the strongest economies in the world—one that has been able to consistently bounce back and recover from social, economic and political challenges.

However, due to a general feeling of security, people often have a tendency to procrastinate and frequently ignore the importance of many factors that can have an effect on the way they earn a living, their savings for “rainy days” and retirement, and their safety net in preparation for the unexpected. Unanticipated health issues or other expenses can have a devastating effect on one’s current and future financial situation, but it doesn’t have to if you are well prepared. That is where I think I can

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“Buy-and-hold investing has too many emotional and psychological barriers for people in times when the market is behaving poorly.”

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add a lot of value—to help guide my clients on financial planning, protection planning and retirement planning.

### How does that apply to client investments?

Nothing brings me more satisfaction than being able to educate my clients on investment choices and portfolio diversification, and then taking them to the next level of understanding and confidence in their investments. With the current low interest-rate situation, stagnant economic growth in many parts of the world, and the volatility of the stock markets, I remain convinced that market conditions can change from the current bull market quickly. I am not saying they will, or predicting when that may happen, but it is important to have risk management in place for clients before the fact, not after.

I use separately managed accounts as the primary tool to add diversification, investment options, cost efficiency, and active money management to most of my clients’ portfolios. I help educate my clients on the need to act—rather than just react—to market trends, and explain why their investments should be adjusted accordingly. I think that active management of my clients’ portfolios with third-party strategies helps increase the probability of success in the growth of their portfolios.

### Were you always an advocate of active management?

I have been for the last four or five years, and changed my entire operating model to accommodate a separate account approach. Prior to that I had been trained in traditional asset allocation, passive portfolio management, and essentially a pretty standard mutual fund approach.

When the market went down big in 2008 and 2009, I attributed that far more to the housing and credit crisis than fundamental issues with the stock market or the economy. I had a fair amount of confidence that the market would come back in a few years and, frankly, saw that as

a buying opportunity. Clients who agreed with my assessment were able to benefit at that time.

But the entire situation made the case for active management very clearly. Generally speaking, emotions took over for many investors and they made one of two critical mistakes, or both: Selling out near the bottom or not coming back into equities in a timely fashion. It just showed in a nutshell how buy-and-hold investing has too many emotional and psychological barriers for people in times when the market is behaving poorly.

### Do you have any specific tools that you use to explain active management to clients?

I do, and it is actually sitting right on my desk at all times. Most clients or prospects understand investments on a fairly superficial

## Leo Do Carmo

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Leo Do Carmo is the owner of Contemporary Retirement Strategies, based in Tustin, CA, and his firm offers securities and advisory services through Foresters Equity Services Inc.

Mr. Do Carmo has over 12 years of experience in the financial services industry and “loves helping people and teaching the importance of wealth accumulation and wealth protection.” Prior to entering the financial planning and investment advisory field, he worked in sales and marketing positions in several industries.

A native of Brazil, Mr. Do Carmo came to the United States over 40 years ago to pursue a college degree. He graduated from California State University-Fullerton, where he studied business and marketing. He says he has had a “lifelong fascination with investments and the way markets work,” and decided to change careers to pursue this interest professionally on behalf of clients.

Before starting his own firm in 2011, Mr. Do Carmo worked for a variety of financial organizations and has had extensive training and experience with insurance products, financial and retirement planning, investment portfolio construction, and financial analysis. He has also enjoyed working as a trainer and educator within the industry, with a focus on clearly communicating complex concepts to clients.

Mr. Do Carmo and his wife Maria have been married for 27 years and have four children and one grandchild. Maria is a high school language teacher and Mr. Do Carmo says, “We can easily communicate in four languages and partially in a fifth.” They enjoy spending time with family and “walking and hiking miles together.” Mr. Do Carmo remains “a huge soccer fan,” which he played competitively in his “teens and 20s.”

level when I first meet with them. They have familiarity with individual stocks, of course, and to some degree understand mutual funds, but they don’t really understand the structure of the market and various asset classes.

I have a chart that is updated on a quarterly basis that shows the color-coded returns over time of many different asset classes, from bonds to emerging markets to large caps to high yield, etc. The vast majority of people have never seen something like this. What they especially are unaware of is how the returns for a specific asset class can vary so widely from year to year, or even quarter to quarter.

I explain to them that a lot of our actively managed strategies are based on trend-following

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**Leo Do Carmo**  
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computer models that take advantage of positive trends and try to avoid or minimize exposure to weaker-trending asset classes. These models are not always going to be perfect, but by making adjustments based on quantitative analysis, our managers can improve the probabilities for success. This is a great tool for driving this point home in a very graphic way and is very educational and persuasive for clients.

**What type of clients do you target?**

I have worked with clients with \$10,000 and others with millions, and with 20-year-olds and people in their 80s, so I am willing to work with just about anyone. Our sweet spot is a client, or client couple, 45 years or older, with above-average income and assets. These are people who are ready to get serious about planning for and protecting their financial future.

What is probably most important to me is their mindset: Are they truly willing to be educated and to implement a sound financial and investment plan? I am passionate about three very broad financial planning concepts: accumulation, preservation of assets, and tax-efficient distribution of income in retirement. I work hard to deliver on those principles for clients in actionable ways, and simply ask for their openness and commitment in return. That has been a successful formula for my practice and my clients. 

Amauri "Leo" Do Carmo is an Investment Advisor Representative offering securities and advisory services through Foresters Equity Services Inc., member FINRA, SIPC and a Registered Investment Advisor. Contemporary Retirement Strategies is independent of Foresters Equity Services Inc.

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# Bull, Bear, and Sideways markets

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