

BUSINESS MANAGEMENT | PEOPLE

FROM LEFT: DAVID PORTER
AND MICHAEL YOKEN

Total Service

DAVID PORTER HAS COME A LONG WAY since the early 1980s. Back then, he was a door-to-door insurance salesman, and would even pitch life insurance to the passengers sitting next to him in the carpool. To his credit, he not only made a sale to one person who originally asked him to ride along to the factory in King of Prussia, Pa., but also sold policies to two other commuters in the van as well.

But he eventually left that life behind, and 12 years ago bought Baystate Financial Services LLC, based in Boston, an affiliate of MetLife Insurance.

What makes Baystate stand out from other firms, the founder says, is its wide array of planning and business specialists on the permanent staff, positions that might otherwise be outsourced. This includes specialists in financial planning—such as estate planning, family business succession planning, elder care, special needs, asset

protection, education funding, retirement planning and employee benefits—and experts in financial planning products such as life insurance, disability, insurance, health insurance, long-term care, annuities and mutual funds.

With the attorneys, accountants and others on staff, Baystate has 12 professional specialists and 12 support staffers to augment the 215 licensed advisors who provide the fee-based financial planning, fee-based management of investments, and commission-based insurance and annuities sales. (Through its brokerage firm, New England Securities, the firm has access to 42 money management firms that provide investment analysis and research.) The firm has \$6.2 billion in assets under management and is converting to more fee-based services and fewer commissions, because Porter says he feels fee-based services are the future of the financial planning industry. Within three years he expects

Baystate Financial uses its wide array of services to advise small business owners.

By Karen DeMasters

the company to be half commission-based for selling products and half fee-based for financial planning services.

Clients seem to appreciate the research-oriented approach of Baystate. "We shy away from giving immediate answers. We want our specialists to look at the situation," Porter says. "For instance, we have a 61-year-old business owner who has sons by two marriages, one is 29 and one 5. The question was how to pass the business to the older son while still protecting the younger son, so we worked out a scenario where he bought life insurance with the younger son as the beneficiary."

Another couple was down to \$3.5 million in investments to retire on from an original \$5 million. They are in their mid-sixties and, given life expectancy today, were afraid of losing more. "We put them in some appropriate investments like pre-funded municipal bonds. We did dollar cost averaging and we made sure they would not be surprised later by any unexpected taxes," he explains.

Business succession planning is another area of expertise for Baystate. One of the first specialists Porter hired was Herbert K. Daroff, a lawyer, college professor and certified financial planner, who is still with Baystate. "The current market makes business succession planning more difficult," Daroff says. "A typical client comes to us to sell a business and retire. We have to maximize the net proceeds because of the low return on investments now, and minimize the taxes. For a buyer, we want to minimize his investment and realize his potential tax benefits."

Porter attributes his ability to keep his firm growing, even in an adverse economy, to the unusual structure he has developed for Baystate, with the researchers devoted solely to helping Baystate advisers, rather than being contracted by a number of firms for their services, he says. It is a notion clients like Jeffrey Bailly, president of UFP Technologies Inc. in Georgetown Mass., appreciate.

"We have 600 employees and Dave won the company business first—investing the 401(k)s and handling profit sharing. Now he does my personal financial planning as well," says Bailly. "Dave has a particular way about him. If I call with a question, he will have four other people on the phone with him to solve the problem. They are much more scientific about their approach to

investing. If you take a portfolio to them, they will show you how you can get the exact same return with less risk."

Porter says Baystate's approach is not sexy. "We are conservative. We educate people so they know what they have," he says.

One of the first people Porter hired when he took over Baystate was Michael Yoken, who is now part owner and partner. Yoken maintains that it is the team of specialists that make Baystate successful.

"Some other organizations have one or two specialists in-house, but I don't think anyone else [in their market] has the range of specialists that we have. And being as diverse as we are, we are able to maneuver within the market," Yoken says. "With the specialists and advice from money managers we have, we can bring the newest products to the advisors and the advisors can get in front of the client with the information."

Porter began developing his approach to business when he was a child growing up in the middleclass suburbs of northern New Jersey. His mother impressed upon him the need to always be kind to others and try to help them and Porter learned at an early age that he liked dealing with people.

After graduating from West Chester University, he landed a prestigious internship in Washington, D.C., with the Republican National Committee. But when he was offered a full time position in Washington, he declined.

"I realized I wanted to work with people and I could not see myself sitting behind a desk all day," he says. But he says he learned the importance of establishing relationships and of making yourself stand out while he was there. Once he took over Baystate, Porter replaced 45 of the 49 planners. Since then, he has achieved a low turnover in associates, partially by staying involved. Porter or Yoken meets with each advisor at least once a month.

A lot of Baystate's investment strategy centers on educating clients. Stuart A. Randle, owner of GI Dynamics Inc. in Lexington, Mass., says Baystate's ability to explain his options is one thing that convinced him to bring his company's businesses to Porter. Now, in addition to handling the company's business, Baystate handles Randle's personal financial planning.

"Dave is all about personal, long-term relationships," Randle says. "They explain

all the options, which is more important now than ever before."

"We always tell people if we are talking on too elementary of a level to stop us, but we want people to understand everything. Some people are brilliant in their careers but they don't even know what tax bracket they are in," Porter says.

"In the beginning, we asked the advisors what they needed to bring their practice to the next level and the answer was invariably the same," Daroff explains. "They needed someone to help them with their smaller clients who had been with them forever so they could spend more time finding new clients. They needed someone to help them prepare presentations for new clients and they needed someone to help with office resources and marketing. Dave always said the lawyers and bankers and accountants should be strategic allies, not competitors. We built a team to work for the mutual benefit of the clients."

The next level of growth for Baystate will be the creation of a registered independent advisor firm, Baystate Asset Management. Porter already has created Baystate Financial Services Insurance Agency to handle employee benefits.

However, the arm of the company that Porter may be most proud of is the Baystate Charitable Foundation established in 1999, which grew out of Porter's work with children in the Boston area. The fund helps support the DSS Kids Fund, which helps abused and neglected children in the care of the Massachusetts Department of Social Services.

The foundation also supports Friends of the Children—Boston, which hires professional mentors to work with the city's most at-risk young people. The foundation is an expansion of something Porter's own children and their friends started and it is now going to be expanded to Maine and Rhode Island.

"When I interview people for positions, I hand them a binder that has thank-you notes in it from charitable organizations and I ask them what it means to them," Porter says. "I want to hire people who will give back. If you do not have money, you can give time. We support the staff members' contributions to charities."

"I am always looking for someone who is willing to say 'yes' to the question, 'Will you help me?' It says a lot about who you are," he adds. FA