



Focus on a money manager's fees



Meditations on Money Management
Andrew Silton

Quickly flip through a stack of bills on your desk. I am not asking you to get upset at how much you owe the electric company, your cell-phone carrier or the cable provider. I just want you to recognize that all your other service providers, save money managers, tell you exactly how much you owe in dollars and cents.

Now dig out your latest brokerage or mutual fund statement, and try to figure out how much you paid to have your money managed. I'll keep writing while you flip through your financial statements.

Money management is one of the most ingenious businesses on the planet. It's not their brilliance at managing money that stands out. Not at all. As a whole they're mediocre at their central task, but they are superstars when it comes to billing. The key to their billing success derives from the fact that they don't charge in dollars and cents. Money managers prefer to debit you in "basis points." If your mutual fund charges you 150 basis points per year, which is 1.5 percent of your average account balance, you owe \$150 per year on a \$10,000 account. This charge covers management of the money, accounting and marketing. Most of you also pay a separate charge, called a 12b-1, which covers your mutual fund's marketing expenses. You might be a bit more reticent about the fee if you were writing a check for \$150 every year.

Steep price to pay

Charging in basis points and having you pick up the marketing expense only begin to demonstrate the cleverness of the money management industry. They don't need to send you a bill. Instead, they quietly debit your account during the year for the \$150 in small amounts, so you don't even notice. It's all perfectly legal and spelled out in detail in the prospectus. As long as money managers are talking basis points, you're not quite as focused on how much you're paying for their services. The industry works the same magic with "sophisticated institutional investors." No hedge fund manager in his right mind would tell a client that a \$200 million mandate is going to cost them \$4 million in management fees, plus another \$4 million or \$5 million in performance fees. It sounds much better as: "We charge the standard 2-percent fee, plus 20 percent of the profits." Believe me, this form of billing works.

I'm sure you've stopped searching for the amount you paid to your money manager as you've either read the previous two paragraphs or realized on your own that the amount is not to be found. Whether it's 150 basis points or \$150, it doesn't sound so expensive. But it is a steep price, because the industry wants you to look at the fee as a percentage of your average account balance, not as a percentage of the amount of

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AL DRAGO - adrago@newsobserver.com

Paul Bishop of Columbia cuts one of four loins off a yellowfin tuna Aug. 1 at Locals Seafood in Raleigh. Locals Seafood sells about two-thirds of its seafood wholesale to restaurants, and the rest to the public at half a dozen farmers markets across the Triangle.

Entrepreneurs' pitch and passion is fresh seafood

RALEIGH MEN FURNISH THE TRIANGLE WITH CATCH FROM THE N.C. COAST



LOCALS SEAFOOD
Ryan Speckman, left, and Lin Peterson offer an enticing sales pitch: Two days ago, this fish was in the water. Locals Seafood has sold more than \$1 million worth of North Carolina seafood over the past three years.

BY ANDREA WEIGL
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WANCHESE Ryan Speckman faced a long day of driving on a recent Tuesday. At 6:47 a.m., he got behind the wheel of a white Mercedes-Benz Sprinter van with a Locals Seafood logo on the side. As a co-owner of Locals Seafood, Speckman was about to drive three hours to Wanchese, as he does twice a week, to buy fresh seafood caught by the state's fishermen, and then drive three hours back to Raleigh.

"Lin will already have a lot of this fish sold before I get back," Speckman said.

Lin is Lin Peterson, Speckman's business partner, college buddy and the other harebrained schemer who has transformed an idea – "Let's sell seafood from the back of our pickups on the side of Six Forks Road" – into a thriving business that has sold more than \$1 million worth of North Carolina seafood over the past three years.

The two men saw an opportunity in Triangle consumers' hunger to eat local food. One thing there wasn't much of in the marketplace was North Carolina seafood. Most of the seafood caught off North Carolina heads north on Interstate 95 and doesn't come inland. The few entrepreneurs ferrying seafood from the coast typically either sell directly to consumers or sell only to restaurants. Speckman and Peterson chose a different path.

Locals Seafood sells about two-thirds of its seafood wholesale to restaurants, such as Vinnie's Steakhouse,

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The News & Observer

Inside
Get some: Where and when you can buy from Locals Seafood. 3E

Shifting from job seeker to business owner

Unintentional entrepreneurs find a better work-life balance

BY BRIDGETTE A. LACY
Correspondent

Eric Ewald, a laid-off environmental engineer who specialized in petroleum spills, decided to make his own job after a two-year search yielded only two interviews.

The 43-year-old from Cary is now the owner of Eric's Pet Sitting.

"It was a very organic transition," Ewald said. The idea came from spending hours at a neighborhood dog park with his dog, Nitro, a labrador retriever and German shepherd mix. He found plenty of pet owners willing to pay for sitting-related services.

Earlier this year, he officially incorporated his business with some guidance from Wake Technical Community College's Small Business Center. Ewald invested \$2,000 – mostly to pay an attorney, an accountant, buy insurance and licenses and a few collars and leashes. He has about 40 clients, which translates to nearly 50



COURTESY OF ERIC EWALD

Eric Ewald got the idea for starting his pet-sitting business while walking his dog, Nitro.

dogs and a dozen cats for whom he routinely provides overnight care, workday visits, veterinarian transports and vacation visits.

Unintentional entrepreneurs are on the rise as the state stays stuck in higher unemployment –

the third-highest in the country in July.

The reality is that the 70,000 unemployed North Carolinians already cut off from extended federal unemployment last month won't all be able to find work at someone's company. Nor will those who join their ranks in the coming months; a number estimated to be as high as 100,000.

Inside

Find small business resources. 3E

State lawmakers voted earlier this year to reduce the maximum amount of money that unemployed people can get each week from \$535 to \$350 and the amount of time they can receive those benefits from 26 weeks to 20. That triggered the end of extended federal benefits.

Working for one's self also has become more attractive as "wages are depressed and cost of health care is rising," said Fred Gebarowski, the director of the Small Business Center at Wake Technical Community College.

And Steve Dalton, senior associate director of Daytime MBA Student Services at Duke University's Fuqua School of Business Career Management, says...

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when will you retire?
how much money will you need?
where will you live?
will you start a second career
or follow your bliss?

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WORK

Employees, managers should view problems as opportunities

I recently flew through a Washington airport. Gate 35A houses a holding pen for the lucky passengers preparing to board 10 or so commuter flights. From this gate, passengers are funneled to the doors on the lower level, where they then board buses for a short ride to the jet.

The scene I witnessed was both sad and comical: people standing, children complaining to parents, poor signage and unclear processes. Employees behind the counter shouted unintelligibly over loudspeakers, much like a poor quality drive-thru at a burger place. Their tone and body language screamed: "I hate this, you hate this, listen up, and shut up!"

At one point, an employee entered the mosh pit to loudly tell a family they could not stand there and would have to move. Another shouted, "Don't go down there until your flight is called!" Observers exchanged glances of amazement and wonder. It was a parallel uni-



The View from HR
Bruce Clarke

verse of sorts.

I asked an airline employee standing near me – who also was waiting for a flight – if this scene could get any funnier or sadder. He said the only thing sadder was that the airline employees earn about the same salaries they were making 10 years ago.

Poor leadership

Wow! Fortunately, my day was almost over, my flight was on time and I chose to find the humor in it all. The experience, however, left a lasting impression, and I can't help but reflect on the obvious challenges this workplace presents – and the opportunity for all involved to make a difference.

Where was management? Where was someone who cared

about this mess and was willing to try to make it better? Good management identifies and removes hurdles for employees. Because it was clear Gate 35A had operated like this for some time, the flying public can only assume that management simply does not care. Just as important, what do the employees in this situation think of their management?

Where was the customer-focused employee? Employees can act without direction from a manager. Where was the initiative to walk through the crowd and greet confused and frustrated passengers in a helpful way? A simple gesture, such as a heartfelt apology, or a hand-written sign with a simple explanation of what was going on, would have done wonders to diffuse the situation. Instead, three employees huddled together behind the counter, while one barked out garbled messages over the speaker.

What was the bystander em-

ployee thinking? The underpaid employee had a chance to help that afternoon. He must have seen and heard the genuine confusion of people new to Gate 35A. If you happened to miss your flight number changing to "Boarding" on the screen – or you didn't catch the fast-food drive-thru instructions – you were bound to miss your bus and your flight.

Taking initiative

My fellow bus passengers and I discussed what we had just experienced, and came up with a few ideas of our own.

Be the employee who says, "This is painful, and we have to do something." Do it at the right time, and choose your language carefully. Have the courage to speak with a caring, conscientious manager in a private setting, and describe why the situation must be addressed. Express your concern not only for yourself, but for fellow coworkers, your customers, and

the company as a whole.

Be the manager who sees problems as an opportunity to help both customers and employees. When the situation is as dire as what these passengers experienced, the ability to make great strides with relatively little effort, expense or risk seems obvious. So much can be accomplished when a manager takes an interest and gets involved.

So the real question becomes: Are we victims or are we human beings with purpose? As an employee or a manager, you can help create the kind of workplace where problems can be seen as opportunities to make a difference.

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SEAFOOD

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Capital Club 16 and NOFO at the Pig. It sells the remaining third directly to the public at half a dozen farmers markets across the Triangle, including a prime location at the State Farmer's Market on Thursdays, Fridays and Saturdays. These multiple outlets mean Locals Seafood regularly sells out, which is what you want when selling a perishable product.

"We try to move everything within 48 hours," Peterson said.

The business model also offers the men an attractive sales pitch to consumers: Two days ago, this fish was in the water. By comparison, most seafood sold at grocery stores was previously frozen. And if it is North Carolina seafood, it likely was shipped to a large seafood broker in Boston or New York, and then shipped back to grocery stores in North Carolina. As Speckman said, "A lot of people don't understand how old the seafood is they are buying at the grocery store."

'Wives with good jobs'

Very few folks connected to the seafood industry have experienced the success and growth that Locals Seafood has. Officials with N.C. Sea Grant, a marketing and research entity that helps the state's seafood industry, asked Speckman and Peterson a year ago how they have succeeded where many others have failed.

Their reply: "Wives with good jobs."

Peterson, 33, and Speckman, 35, both had full-time jobs before launching their seafood business in summer 2010. Peterson did marketing for Great Outdoor Provision Co. Speckman worked as a wildlife biologist and had spent several years living in Columbia, a fishing community on the Albemarle Sound. The idea sprung from Speckman's experience there as opposed to the Triangle.

"I took it for granted getting really fresh seafood," he said. "Here in Raleigh, I couldn't get it."

The men started the business as a part-time venture and sold \$15,000 worth of seafood that first half year out of the back of their trucks on the weekend. Eventually, they quit their jobs, Speckman in June 2011

Where to buy

Locals Seafood sells at a number of farmers markets across the Triangle throughout the week:

3-6 p.m. Tuesdays: Chapel Hill Farmers' Market

10 a.m.-2 p.m. Wednesdays: Raleigh Downtown Farmers' Market

10 a.m.-4 p.m. Thursdays, Fridays and Saturdays, 11 a.m.-3 p.m. Sundays: State Farmer's Market in the Market Shoppes building.

8 a.m.-noon Saturdays: Chapel Hill Farmers' Market, Western Wake Farmers' Market, Midtown Farmers' Market and Wake Forest Farmers' Market.

Locals Seafood's fish is sold also on the LoMo Market truck that sells local food all over the Triangle: lomomarket.com.

You can also preorder seafood for pick-up at the various farmers markets. Info: localsseafood.com.

and Peterson six months later. They didn't take a paycheck until January, instead reinvesting any profits into the business. They relied on their wives' stable jobs. Peterson's wife does marketing for Cotton Inc., and Speckman's wife works for the federal General Services Administration.

The only business debt the men took on was a loan to buy one of three delivery vans – the Mercedes-Benz Sprinter. On that trip, Speckman would buy seafood from three fish houses in Wanchese – O'Neal's Sea Harvest, Etheridge Seafood and Wanchese Fish Co. When the pair first started Locals Seafood, Speckman thought he would buy directly from his fishermen friends, cutting out the middlemen at the fish houses. "But then we realized they are integral," Speckman said.

Fishermen want to be out on the water fishing. They don't want to be finding restaurants and retail shops to buy their fish, or doing all the paperwork required for selling seafood. Commercial fishing is heavily regulated. There are limits to how many of specific species can be caught, so it is carefully tracked. "Everything that comes across the dock has paper attached to it," Peterson said.

Most often when Speckman makes his twice-weekly runs to the coast, what he can buy depends on



Above, Kent Kistenmacher of Cary unloads a cooler with the help of Michélene King of Smithfield.



Left, a soft-shell crab that was caught earlier in the day off the Outer Banks.

PHOTOS BY AL DRAGO - adrago@newsobserver.com

the weather and what is being caught. Both of those factors are unpredictable. For example, colder temperatures this past spring led to later crab and shrimp seasons.

200 pounds of trout

On his recent trip to Wanchese, Speckman had a very specific need that he wasn't sure he would be able to fulfill: 200 pounds of speckled trout for a chef at one of SAS' cafeterias.

By 10 a.m., Speckman had parked the van outside O'Neal's Sea Harvest, which operates not only a wholesale fish house but also a retail shop and small restaurant. Tuesday is always a big buying day. Speckman likely will spend about \$5,000 among the three fish houses, most of it at O'Neal's.

Benny O'Neal and his son, Colby, oversee what seafood is coming in off the boats via a short conveyor belt from the dock. The fish is sorted into large plastic baskets. Workers pack whole fish on ice in laminated cardboard boxes, which are

stored in walk-in coolers. One worker drove a small front-end loader, ferrying ice to boats. Speckman inspected the gills and eyes and even squeezed the fish to check the firmness. If fish sat in the water for a long time, the meat can be mushy. "I want a firm fish," Speckman said. He then checked to see what was available in the walk-in cooler.

The negotiation with O'Neal and his son typically lasts for a couple of hours. Speckman will see what they have, check prices, and then start by asking about what he can buy that hasn't already been promised to a larger East Coast fish house or earmarked for O'Neal's own retail store.

Speckman finally handed a "wish list" to Colby O'Neal, who said, "I don't think we have that many trout."

'We're in a huge growth phase'

On this day there was plenty of tilefish, red drum, flounder, swordfish and blue fish, and some mahi-mahi. The workers put together Speckman's order, including 119

pounds of speckled trout, far less than what he needs. "It's early enough, you could see a few more specks," Colby O'Neal told him.

Speckman then drove to the other two fish houses to pick up scallops and tuna. As opposed to O'Neal's, Speckman stayed only long enough to drop off a check and pick up the seafood. When he arrived back at O'Neal's, maybe 20 minutes later, he headed straight to the baskets to see what fish had come in. Luckily for him, there was an additional 48 pounds of speckled trout. The men loaded the fish into the back of Speckman's van. He wrote a check for \$3,392. And then Benny O'Neal handed him an invoice with not only the amount of seafood he'd bought but the name of every fisherman who'd caught it.

After lunch at O'Neal's restaurant, Speckman got back on the road to Raleigh. When he arrived back at the office at 4:40 p.m., three employees helped unload the van, and then started cutting up the fish to create fillets. Most restaurant chefs don't have the time or manpower to break down the fish themselves.

Among Locals Seafood's most regular customers is Tom Armstrong, chef and general manager at Vinnie's Steakhouse in North Raleigh, who buys about 30 pounds of seafood each week. Customers have come to expect this fresh seafood from the coast. Armstrong said they ask him, "What's your Locals Seafood feature this week?"

Speckman and Peterson's operation has grown from just themselves to a dozen employees who cut fish, deliver it or sell it. They recently hired Amanda Miller, who used to run Dock to Door Seafood, a similar business that sold to restaurants in Chapel Hill. "We're in a huge growth phase," Speckman said.

Of the seafood that Speckman ferried from the coast, 55 pounds of flounder ended up at Chapel Hill's Lantern restaurant to be fried whole, the 167 pounds of speckled trout went to SAS to be cooked in brown butter, and 5 pounds each of grey trout and bluefish went to Salt-box Seafood Joint in Durham to be spice griddled or fried.

Two days later, Speckman did it all over again.

Weight: 919-829-4848

BALANCE

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ment Center, points out that entrepreneurship doesn't look bad when you compare it to working for an employer who has combined several positions into one.

"Working full time has become more painful as organizations have gotten more efficient at more productivity with fewer workers," he said.

Skills always in demand

For sure, workers need to be prepared for a tough terrain. Employers are not as loyal as some have been in the past, yet they have the upper hand. There are more job seekers than positions to fill. That drives down the wages workers can command.

"I'm very encouraged by people's willingness to embrace entrepreneurship; it restores some of the balance," Dalton said.

Ewald decided to do just that after seeing too many positions where employers not only wanted an engineer but "one that could leap to a tall building in a single bound."

Employers "want you to be able to do so much ... that makes the work/life balance very poor. It was bittersweet when I was laid off because

Resources for working on your own

Briles Johnson, director of the Women's Business Center of North Carolina, said the trend of job seekers looking at starting their own businesses as an option started in 2008. She attributes that to the downturn in the economy. The good news is that there are lots of resources available to those potential business owners. While the Women's Business Center is a program of the N.C. Institute of Minority Economic Development, Johnson said the center offers help to everyone – men and women, folks of all ethnicities and races.

"Anytime you do something different, it can be scary," she said, but "we are here to help guide you and be your advocate." The Women's Business Center offers one-on-one counseling, help with certifications and free seminars. The center can also assist people with filling out their paperwork for banks and lenders.

For more information about the Women's Business Center of North Carolina, visit www.ncimed.com/index.php/business-development/women-business-center.

To check out free seminars, click on events. For those thinking about starting their own business, Johnson suggests, "Is Entrepreneurship Right for You," and the "Small Business Resource" seminars.

For more information about Wake Tech's Small Business Center, visit www.waketech.edu/programs-courses/non-credit/build-your-business/small-business-center.

the corporate dysfunction was getting to me. There were so many rules and regulations that fly in the face of productivity."

Ewald said his workplace had become a hostile environment. But like many former workers he can take his skill set and apply it to his new venture, his way.

"As a pet sitter, I still use many skills carried over from environmental engineering

including: interpersonal communications, computer, organization, project management, cost tracking, time management and a work ethic."

While he's not making the same income, he is able to pay his bills and has more freedom and flexibility. His previous job meant extensive travel requirements, which became disruptive to a healthy work/life balance.

'New American dream'

Dalton said for many people, it boils down to preference.

"Do you prefer the stress of drudgery or the stress of risk? There's no right answer. The answer changes from person to person."

One of the benefits of working for someone else is infrastructure and training, Dalton said. This may be particularly attractive for young people making their way into the workplace, just testing out their skills.

Some people want to be a part of a community that keeps them grounded. They also want health insurance.

But at the same time, build-

ing your own business is much easier than it was a decade ago.

"There are software packages to help you manage your accounting," Dalton said. "Some of those intimidating tasks can be handled by computers."

"There's also a mental health benefit to entrepreneurship," Dalton said.

"It's the new American dream. You don't necessarily control your own destiny but you at least play an active role in it."

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