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Investor, Entrepreneur, Novelist, Educator

Forbes.com columnist **Carol Pepper '89** talks about "couture finance," mystery trust funds, and the single most important investment advice for families.

*In 2007, Institutional Investor named **Carol Pepper '89** a "Rising Star in Wealth Management." A year later, Forbes.com tapped her as a member of their "Intelligent Investing" team and then asked her to write a weekly column, "High Net Words." Most recently, Barron's named her business, **Pepper International**, one of top family offices in the United States for 2009. Pepper advises wealthy families around the world and published her first novel — a "wealth management thriller" — in October.*

Earlier in her career, she managed more than \$1 billion of private client assets at Rockefeller & Co., the multi-family office formed by the Rockefeller family.

You've worked in family wealth management for more than 25 years. What draws you to this area of investing?

When I started at Columbia in 1987, I was working in JPMorgan's M&A group. I realized that I couldn't do M&A deals and go to school because of the time commitment, so I transferred to the private bank — and I absolutely loved it! I really enjoy addressing the personal issues of families as well as the private M&A-type issues of the companies that they own, plus investment strategy. In those days, there weren't many private bankers with MBAs, so I had a tremendous amount of opportunity to work with very high-net-worth individuals. As the industry became more developed in the 1980s and 90s, more people with MBAs and from corporate finance came into the business and the field came more professionalized.

I've also discovered a stealth benefit of wealth management: families that are well organized with their wealth tend to be the most philanthropic. People often don't feel confident enough to give away money when they feel stressed or uncertain about their assets. You really have to feel safe and secure and know that you have a good strategy in order to be philanthropic. So if you encourage someone to start a family office, in a funny way you're also encouraging them to be philanthropic. That's very rewarding.

Why did you launch your own company in 2001?

I realized that although I was getting a lot of senior job offers, I was still going to be dealing with the good old boys' network that is alive and well in the higher echelons of Wall Street firms. In my opinion, nothing has changed at the most senior levels on Wall Street since 1987: it's an unspoken but ongoing blight that women in the most senior positions are not paid as much or given as much opportunity to run divisions as men. I decided that the best way to advance and serve my client base was to start my own firm.

I also decided to open my own firm so that I could provide extremely tailored solutions to the wealthiest families. There is not a set group of money managers or accountants and lawyers that I work with, unlike the larger multi-family offices that, in order to grow their businesses, have to standardize their service offerings. I think of it as couture finance. I enjoy working closely with a small group of extremely wealthy families with interesting challenges and giving them the most tailored solution possible at a reasonable cost.

In light of the recession, what do you think is the single most important investment advice for families?

Understanding your true risk tolerance is essential. Liquidity, transparency, due diligence — these things should have already been understood as important, but I think that after the crisis they're finally top of mind. Families got into the most trouble with hedge funds and other vehicles where there was no transparency, where they weren't fully aware of the type of deeds or side pockets that were happening and where they thought they were in a liquid investment and tried to retrieve their money but couldn't.

In light of all this, families are starting to distrust the conflicts of interest they see in the larger financial services firms: somebody who is paid to sell you something can't be your independent adviser. I feel very strongly that people should pay one fee for advice and another for products and services. You can't expect the Mercedes dealership to send you to the Lexus dealership.

Your first novel, *Beyond Blood*, involves a mystery trust fund, a Caribbean island and a wily billionaire. Was it inspired by a specific experience?

I wrote the book while traveling around the world advising wealthy families. Over the years I've really noticed how obsessed wealthy parents are with controlling their children's behavior, which is the one thing they really can't control. They often have very specific ideas of what they want their children to do when they grow up, and they become enraged when their children don't behave the way they'd like. [Pepper wrote a [three-part column](#) on this topic on Forbes.com recently.]

I took that concept and blew it into a thriller because I think it's easier to see things when you read them in a story — and it was a lot of fun to write, too. The book is about an heiress who does things that her family does not approve of and what ensues. Her friend, a money manager and trustee, tries to help her.

Carol Pepper is already at work on her next book, a guide to creating family offices.

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