

How a Simple Momentum Strategy Is Winning Fans

By Howard J. Stock
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Michael Leanza, a 20-year industry veteran, took his business independent just a few months before the market collapsed in 2008. And yet his business is thriving, thanks to what he calls his “active-passive” approach, a simple strategy any advisor can adopt that seems to work well for wealthy clients.

Leanza, founder and president of The GenWealth Group in Maplewood, N.J., got his training at a wire-house before joining Bank of America, where he spent 17 years before going independent through LPL Financial’s hybrid RIA program in May 2008. Leanza expects to grow his business over the next two or three years via high-touch service.

The strategy was born out of the panic of the market crash of 2008, an event that shook Leanza, who was raised on a steady diet of buy and hold since he joined the industry in the last eighties. “I feel buy and hold can work when you’re in a long, secular bull market, but not in the market we’re in,” he says. “I had to go back to the drawing board to help improve client satisfaction by helping to reduce downside risk. 2008 taught us that we had to move faster.”

I think part of the problem, is that few investors feel like investing in the market at its potentially most opportune time—when it has taken a drubbing. “In October 2008 I sat down with a very good client and he says that while he understood there are bargains when the market turns around, the pain level was just too high,” Leanza says. The client complained the market could drop another 30% before it turned tail—which is exactly what wound up happening—and he just didn’t want to subject himself to that nightmare ride. What’s more, he wanted Leanza to come up with a solution fast.

Leanza’s strategy is not to outperform the market, but to “deliver what it allows us to take.” In it, he manages the portfolio himself. “I’m not trying to target specific sectors, just capture where the market is moving,” he explains. But as we all know, no strategy assures success or protects against loss.

Leanza thinks people will willingly forgo a 20% gain to avoid a 10% loss. “The name of the game is capital preservation with upside potential,” he says. “They want some exposure, but what they really want is consistency, which is something we don’t do a great job of in this industry.”

To other advisors, Leanza stresses that the plan’s simplicity is key. “This strategy has taught me that to do less is to do it better, with consistency, accountability and transparency,” he says. “And that, to me, is what people want to buy these days.”

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