INVESTMENT STRATEGIES
OF LEADING CELEBRITIES

JEAN SHERMAN CHATZKY

RICERMOUS MOUS MOUS PROPERTY BOOK

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BOOK

Investment Strategies of Leading Celebrities

JEAN SHERMAN CHATZKY



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For Peter, whose love keeps me going, whose humor keeps me sane, and whose stunning grasp of Strunk & White keeps me grammatically correct

Acknowledgments

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Finally, I want to thank the 28 individuals who gave me a peek inside their financial lives. I hope you find their stories as fascinating as I did.

I got hooked on celebrities' financial secrets back in 1994. It was March, and I had an appointment to interview Clinton campaign strategist James Carville about his investment and spending habits for my employer, *SmartMoney*, the *Wall Street Journal*'s magazine of personal business.

I remember being extremely nervous. *SmartMoney* was a new publication, and it was difficult to convince topnotch celebrities to agree to be profiled in our "Me & My Money" column. Carville, in truth, had acquiesced as a favor to a friend, Al Hunt, the *Journal*'s Washington editor. Now the interview was in my hands and I didn't want to blow it.

The weather came close to blowing it for me. Washington was hit by snow and Carville, delayed in Miami, had put off our interview until "sometime tomorrow." When he was finally ready, his assistant called me and said, "If you can get over here in 10 minutes, he'll squeeze you in." Great, I thought. Now all I need is for my tape recorder to die.

Thankfully, it didn't. And Carville, talking at his usual breakneck speed, had me caught up in his world of personal finance within minutes. He told a tale of financial woe—being practically penniless on the streets of DC following the first (unsuccessful) Gary Hart campaign—and I empathized (my first job in New York paid a whole \$13,500 a year). He explained that he was nervous about retirement—"You see those charts that say if you put away \$500 a year starting at age 20, by the time you're 50 you'd have a gazillion dollars. It makes you ill that you didn't do

it."—and I felt anxious to get on the stick. And when he talked of holding onto his shares of Coca-Cola stock because he heard that Warren Buffett had just taken a large position, I found myself nodding right along.

What makes looking inside the investment world of an entertainer or sports star as compelling as learning about their romantic escapades? For one thing, it gives us a chance to see how we measure up. We can pat ourselves on the back for buying shares of Philip Morris along with football coach Mike Ditka, or funding our 401(k) to the limit as NBC's Matt Lauer does. We can roll our eyes at the celebrities' financial gaffes, telling ourselves that if we earned millions like NBA bad boy Dennis Rodman, we wouldn't fall behind on our Ferrari payments. And we can chuckle over their strange money habits, knowing that if we had a bank account the size of Helen Gurley Brown's, we'd never even *think* about taking the bus.

Perhaps even more compelling is the opportunity to learn from celebrities' money management habits. Let's face it: One way in which the rich *are* different is that they have access to the country's top financial minds. Ivana Trump's personal broker is Alan C. "Ace" Greenberg, the chairman of Bear, Stearns & Company. (Both are profiled in the coming pages.) Rodman's coterie of friends includes his agent, Dwight Manley, a proven financial whiz, as well as multimillionaire Jim Jennard, founder of Oakley sunglasses. And Mike Ditka has been known to hit the links with a CEO or two.

Another difference between *us* and *them* is that their account balances are fatter than ours. They can withstand an occasional loss, a fact that enables the wealthy to test the financial waters in ways many Americans would find too risky or controversial. But after hearing about their carefully honed strategies, we can now put them to use in our own portfolios. We may never have as many millions in the bank as Netscape founder Jim Clark or a Picasso on our office walls like divorce attorney Raoul Felder or as many different homes and properties as *The First Wives Club* author Olivia Goldsmith. But when Clark tells us he's made a small fortune buying quality stocks on negative news, that's a tactic we can use in our own investment dealings. When Felder explains he believes in

buying the lesser works of great artists (not vice versa as conventional wisdom dictates), we might consider doing the same. And when Goldsmith—who's made a tidy profit in every piece of property she's flipped—says she looks for something beyond location, location, location, location in making her purchases, anyone who's ever considered buying real estate would be well advised to listen.

We can also cull a lot from their mistakes. Take stock tips from a well-meaning friend? Forget it, advises Matt Ditka, Mike's son and his stockbroker. His dad has seen 20 percent average returns on his portfolio the past few years; on the tips he's received from friends, he's been lucky not to incur a loss. How about cold calls? Steer clear, says sports agent Jim Bronner. "[Celebrities are] always being hit on by people who want to sell them investment products—and not very well thought out products at that," says Bronner, who counts Cecil Fielder among his clients. Fielder paid a bundle for whole life insurance, which carries a hefty commission, when what he really needed was cheaper second-to-die coverage. Many laypeople have done the same. What about ceding control of your finances to someone else? Never, says Olivia Goldsmith, who sunk \$40,000 into the hole as a result of a nasty divorce.

In the pages that follow, you'll read about the investing, spending, and saving habits of more than two dozen celebrities. Their stories were not only surprising and candid, but heartwarming and a great relief. Some spoke about the financial lessons taught them by their parents. Others discussed what they want to teach their kids. Some confided how it felt to grow up without money. Others explained how they handled a financial setback. Just about every person described the feeling of losing a bundle on one truly insane investment (which of course didn't seem so crazy at the time).

Perhaps what makes their stories the most compelling is the fact that these people were willing to share their experiences. Radio psychologist Dr. Joy Browne often says that people are much more willing to talk about sex than they are to talk about money. Think about it from your own perspective. You probably don't want your colleagues knowing how much is in your weekly paycheck or how much you lost in the divorce. Perhaps you're not above bragging that you made a killing buying Intel, but when it comes to actually quantifying the gain, you'll pass. It's just not anyone's business that you've got a bundle stashed

in Magellan—or that your retirement account falls way short of where you think it should be.

Celebrities, I can attest, share that sentiment. For every person profiled in the upcoming pages, there were a good half dozen who flatly refused my interview request. Many, from "Dilbert" scribe Scott Adams to actor Greg Kinnear, felt the information was just too personal. "[John Reed] values what privacy he can salvage from his job as chairman and chief executive officer of Citicorp and Citibank," wrote a bank spokesman in answer to my fax. "Steve [Young] is very private when it comes to his finances and his private life, so please do not take this personally," his agent replied. Even personal finance columnist Jane Bryant Quinn was reluctant to open the door on her finances. "I appreciate the offer," she said on my voice mail. "But I've always kept a very low profile in my personal life and I would just as soon continue that."

Others, from actress Sandra Bernhard to "Jeopardy's" Alex Trebek to writer Barbara Taylor Bradford (who canceled an interview at the last minute once she thought about what it would entail) said through their spokespeople they just didn't have a good enough handle on their money to sound intelligent talking about it. Still others couldn't imagine carrying on a conversation at length. "I'd be so boring!" was the message I received from humorist Al Franken. "I invest like a retired high school principal."

The truth is, he probably would have made many of us feel a lot less inadequate about our own investing strategies and spending habits. Those nagging self-doubts are what make us reach for *People* at the checkout counter when it features a cover line like "Financial Fiascoes of the Stars," a February 1997 report on how rapper M. C. Hammer went through \$33 million and Kim Basinger had to sell her Georgia town. It's what makes us participate in cocktail party conversations about whether Michael Jordan is really worth \$18 million a year, or the cast of "Seinfeld" a million—each—per episode.

The celebrities who sat down with me to discuss their financial lives did that and more. Each of the nine chapters that follow contains a few of their stories, organized by their investment style. You'll hear from the entrepreneurs like Lillian Vernon and Wendy's Dave Thomas about the fear involved in putting thousands to millions on the line for a dream business. From the stock junkies like astronaut

Jim Lovell and major league catcher Don Slaught you'll hear how they tell the difference between a highflier and a dog. And from couples like Ken and Daria Dolan and business partners like Mary Sue Milliken and Susan Feniger (the "Too Hot Tamales"), you'll hear how they handle differences in their money styles, ranging from the minor to the extreme.

At the end of each chapter, you'll find detailed advice on how to apply the celebrities' strategies to your own portfolios. That way you'll know just whose advice you want to take—and how far you want to take it.

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THE STOCK JUNKIES

Mike Ditka • Don Slaught Jim Lovell

"I believe in companies. The people who run companies, the people who work for companies, the people who buy their products. Whether it's Pepsi or GE or Ford Motor."

-Mike Ditka