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With this issue, *The Journal of Private Portfolio Management* becomes *The Journal of Wealth Management*. This change is intended to reflect the purpose of our Journal more fully. From the beginning, we have wanted the Journal to be a forum where insights and research ideas related to the management of private wealth are discussed. As such, the articles printed in these pages address, and will continue to address, a broad range of issues, often going substantially beyond private portfolio management. In fact, they also include the fields of estate or financial planning, behavioral finance, the role of family offices, and many more.

Before making this change, we conducted a survey of our readers and were gratified by the responses we received. The messages which we read into these responses fall under three important headers:

1. Readers generally find the articles we publish both interesting and, more importantly, easy to read and follow. This is very encouraging, as it was one of our original objectives, often encouraging authors to provide “road maps” to their articles early in the piece, shun undue complexity, and relegate the discussion of arcane details or mathematical formulations to appendices when consistent with the general flow of the argument or the article.
2. Readers generally like the fact that articles cover diverse topics and deal with these topics from different points of views. This is also encouraging, as it validates the insight that private wealth management encompasses multiple disciplines and is practiced and experienced by people from widely different backgrounds.
3. Readers generally want us to pay even more attention to non-portfolio management issues, such as estate and financial planning and master custody, to name a few. This is a very welcome piece of feedback and one to which we will be devoting immediate attention.

We would like to thank those readers who responded to the survey and encourage all readers to send us comments and suggestions. Only then will we be able to claim that we are meeting our goal to offer a true forum where ideas and insights are freely exchanged.

In this issue, we continue, among other topics, to look into behavioral finance. The literature amply supports the view that investment decisions made without reference to likely individual behavioral responses to events are bound to be much less successful than those incorporating that important dimension. This reflects the fact that individual investors rarely operate in an “asset/liability matching” mode. Viewing an asset pool as a means of meeting future liabilities tends to impose an investment discipline, which can resist to the initial temptations associated with greed, fear or regret. The lack of such a framework, however, increases the room for subjectivity and emotions, and thus gives rise to “decision risk,” which we define as the risk of unwinding a good decision at the worst possible time, the point of “maximum pain.”

It might make sense to re-think the traditional view that investment strategy is all about identifying and managing the “right” risk/return trade-off point. One might indeed consider redefining the endeavor along “comfort/satisfaction” axes. This, however, carries at least three interesting implications into which research could be carried:

1. Should a long-term strategy be allowed to evolve? If it is true that we are all, in one way or another, the product of our own experiences, is it not possible that investors who gain greater familiarity with investment markets or strategies may become increasingly risk-seeking over time? What does that say about the traditional debate between lump sum investing and dollar-cost averaging?
2. Should investors be prepared to pay for, and wealth management service providers offer, targeted educational sessions? The insight is that a better understanding of the opportunities and pitfalls associated with capital markets might allow investors to gain comfort and thus, possibly, to increase their ability to take risks and thus to earn higher returns over time. Yet, how can this be done in a way which does not appear self-serving on the part of investment managers?
3. Should a specific focus be placed on the role of liquidity? Many practitioners have observed that, on average and over time, investors tend to over-pay for liquidity, thus making privately placed investments usually attractive over time. One could imagine research projects directed at placing some quantifiable value on liquidity (the buffer stock analogy?) and incorporating that analysis into the determination of efficient portfolios.

The first two articles in this Fall 2000 issue deal with behavioral finance, from two different perspectives. Heidi Schneider and Alyssa Lappen focus on the way in which active portfolio managers can use behavioral finance in their day-to-day investment decision-making processes. Brian Rom offers insights into the design of an effective risk-tolerance questionnaire to be used to assist individual investors select appropriate strategies.

The next four articles fall under the general header of portfolio management and asset allocation. William Reichenstein presents the last in the series of four papers dedicated to the issue of strategic, after-tax asset allocation, proposing that the exercise should be focused on the after-tax value of all assets, rather than on their market value. This has potentially interesting implications for people with significant wealth in restricted stocks or options, for instance. Gerald Buetow and Hal Rattner discuss the dangers associated with using return-based style analysis in asset allocation, proposing that a more qualitative approach be substituted for a purely quantitative methodology. This has interesting implications on broad manager selection problems. Heath Cardie, Katherine Cattanaach and Mary Frances Kelley focus on the private equity world and address the important question of how much of one's assets should be dedicated to private equities. Natalie Chieffe, Nancy Cromwell and James Yoder deal with an arcane, but interesting topic: they analyze the "January effect" and find that, contrary to many other asset classes where such an effect has been documented, the only evidence of superior January returns in fixed income is in risky, high-yield bonds.

Finally, Darryl Meyers illustrates the importance of investment volatility in projecting the actual benefit of transfer planning, using a Grantor Retained Annuity Trust as an example of a complex transfer tax technique. Steven Albrecht looks into the wealth management industry and offers insight into what will be driving growth and opportunities, as the private wealth marketplace develops.

Jean L.P. Brunel
Editor