

An investment counselor in a class by himself

by James Lewis

In the usually staid world of finance, John Burns can be a breath of fresh air.

The sometimes irreverent Burns is the owner of J.W. Burns & Company, a one-man investment counseling firm located in downtown Syracuse's Presidential Plaza. Burns, through his firm, manages \$55 million worth of investments for his clients. At this time, Burns' fee-based operation is currently mailing out 170 quarterly statements to its clientele.

John Burns is a 1955 graduate of Tufts University with a bachelor's degree in economics. After a tour in the Army and spending two years at Spencer Trask, which Burns referred to as a "classy outfit," Burns joined First Albany Corporation in 1960. According to Burns, during his 15 years at First Albany, he held "more titles than anybody ever had." These titles included branch manager, vice president, director, and head of research and security analysis. His service at First Albany clearly gave Burns his grounding in the field of financial counseling, and Burns left the firm in 1975 with a "good, no problems" feeling about his time there.

John Burns started his investment counseling firm in 1974 "on his own." Burns pointed out that 1974 and 1975, in the aftermath of the Watergate scandal, was a period of economic recession. "It was tough," said Burns. "I had one client — myself." Burns' first outside client, whom he said he obtained after nine months of operation, was a widow with \$150,000 to invest. Burns proudly related that this original client "is still with us. Her portfolio is worth \$550,000 now, and she still owns eight of our original 12 securities."

Burns is very careful when he explains the nature of his business. Because of the Securities Amendments Act of 1975, financial advisors can no longer perform both brokerage and investment advising business. Burns' title of "investment counselor" therefore has a very specific meaning. According to Burns, investment counselors "sell nothing but advice — financial advice that is relevant to a person's goals."

Because of the specific nature of the investment counseling business, John Burns is a part of a selective national fraternity. Burns estimated that there are approximately 1,000 investment counselors in the

United States, and perhaps no other investment counselors in Syracuse. Although Burns is realistic enough to perceive that he is not one of the superstars in investment counseling, he is nevertheless proud of where he stands in comparison to his colleagues. "I never said I'd be number one," said Burns, "but I rank in the top ten percent of the class nationally."

Burns' performance bears out his claim about his "class ranking." The core portfolio that Burns manages, which contains 14 securities, has averaged 33 percent growth over 10 years. In his 1985 annual report, Burns points out that "over the past seven calendar years our model portfolio has appreciated 137.29 percent versus 77.86 percent for the Dow Jones Industrial Average and 96.88 percent for the Standard & Poor's 500."

In laymen's terms, Burns is responsible for finding companies to invest his clients' money in. The criteria that Burns uses to make those judgements involves a combi-

nation of technical knowledge about finance with basic common sense. "I identify good businesses," said Burns, "put them (his clients) in them and encourage them to stay in them. I've always said I like to know who runs the company. How is he regarded in the business? Is he fair? Is he competitive? I always look at the head guy first. Then I go to the quality of the product, the balance sheets, and all the rest."

Burns makes investment decisions for his clients without consulting them before he makes each and every move — a method he insists on. "I make the investment decisions — I don't contact them (his clients)," said Burns. "I go through brokers to buy and sell. I send them quarterly reports. If they second guess me — I quit — and I tell them that before they sign up. I have to work that way, and it's in their best interests. I don't have time to lollygag on the phone."

Burns' method of dealing with his clients has obviously paid off. "Once you educate

John Burns, owner of the one-man J.W. Burns investment counseling firm. Burns' company manages \$55 million worth of investments for an impressive list of clients.



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the clientele," said Burns, "they accept it. Nobody second guesses me." Burns asserted that he hasn't lost a client in the last two years, and he added that he rarely gets a concerned phone call from a client after the client has received the brokerage slips reporting Burns' investment transactions.

Burns has an impressive list of clients, but it is a list that he and his clients wish to keep anonymous. Again comparing his operation to that of his colleagues in more recognizable financial centers of power, Burns asserted, "From a local business point of view, I can do as good a job for my clients as any of the counselors in cities like New York, Philadelphia and Boston."

An additional service that John Burns provides for his clients, and also for "anyone who wants to get on our mailing list," is the periodic distribution of investment letters that are "economic and stock market commentaries." Burns clearly enjoys composing these letters, and his irreverence for parts of the economic community shines through some of his efforts. Recent letters by Burns have contained sections entitled "Take heart River City — Malthus was wrong," and "If it ain't broke — don't fix it!" Burns also enjoys the wry use of quotes, and in one of his letters quoted Adam Smith's 1776 pronouncement that "The only good budget is a balanced budget" as well as Warren Smith's 1965 statement that "The only good rule is that the budget should never be balanced."

In particular, one Burns letter contained his version of the rules of economic forecasting: "If you have to forecast, forecast doom! If you have to forecast, forecast often! Give them a number or give them a date, but never both! If you are ever right, never let them forget it! Always state your GNP growth projections to the nearest tenth of a percent — just to prove you have a sense of humor." Later in that same letter, Burns cited some economic forecasts that didn't exactly prove out. Most noteworthy seems to be the prediction that petroleum reserves would be gone by the end of the decade. The prediction was made in 1910.

Burns uses these letters to expound on his own, very firmly held, economic beliefs. On the top of Burns' list of "myths I'd like to dispel" is the current concern about the size of the federal budget deficit. Burns uses a variety of economic statistics and historical reminders to prove his basic point that "In the overall context of our economy, the deficit is not a major factor." Burns claimed "The deficit is a red flag for both (political) sides. It is a football. The deficit is a rallying point for politicians whose inclination is either to raise taxes or cut spending."

"We were told," continued Burns, "that the cause of high interest rates was the deficit. But why do we have a six percent T-Bill rate today, when the deficit is so much higher, when a few years ago the

T-Bill rate was 17 percent?"

The deficit theme is a strong element in several of Burns' letters. Burns points out that "Herbert Hoover gave us a tidy little surplus in 1929 — which as we all know was followed by the Great Depression...It could also be pointed out that the surplus years 1956-57 were a period of general economic recession."

As the earlier quotes from the two Smiths, and his rules for economic forecasting might indicate, Burns has a somewhat negative view of some of the nation's leading forecasters. Burns is especially puzzled

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about why the news media and politicians continue to go back to the same economic "experts" for quotes and advice when they are so often proven wrong. "There are high visibility economic forecasters — and I don't understand why we hear so much from them. They have motivations regarding their forecasts," said Burns.

John Burns is someone who enjoys his work and is proud of his family. Burns and his wife, Patricia, have been married for 28 years. Among the three Burns children are participants in the Empire State Games, candidates for Rhodes Scholarships, cum laude graduates, and a certified public accountant at Niagara Mohawk.

Burns also has a historical pride in his family that dates back to the Civil War. On a table in Burns' office is a heavy shell fragment and some of the shell's large ball bearings that Burns' great-grandfather allegedly found on the battlefield at Gettysburg. "The family legend," said Burns, "is that he carried it (the shell fragment) with him from the time of Gettysburg until the end of the war — almost three years."

When he was asked to sum up his business in just a few words, John Burns quickly replied "We invest in good businesses." Those investments, which have over the past 12 years been so profitable for his clients, underscore Burns' basic philosophy about investment counseling: "The key in this business is performance." ●

