Looking 'Three Layers Down'

He is one of the most unique and fascinating individuals you could ever encounter in business and finance. He is a retirement planner and a business coach – specializing in business "decision-making, behavior patterns and psychology" – all rolled into one.

Jeff Rollert's methods are somewhat radical and unorthodox. He is a deep thinker with a sharp perspective on business, the world and life. He brings science and art into his business and finance philosophy. His academic background in economics and psychology encompasses behavioral economics, quantitative portfolio risk modeling -- with a deep retail and banking industry understanding.

When Amazon began changing the world's behavior buying patterns, Rollert immediately saw the future decline of retailing and what it would need to do to compete with the new monster on the block. He follows industry patterns closely, which is the basis of his recommendations to clients and his overall business philosophy.

Jeffrey Rollert's views and philosophy on business, finance and retirement are quite radical. And that's part of the reason why he's so successful.

"Amazon decimated the retail business and they should have because retailing professionals got lazy over the last 15 years," says Rollert, Founder, Managing Director and Chief Investment Officer of ALM Advisors Inc. in Los Angeles. "They thought people would just keep coming to their stores because it was a habit and because they liked to walk around malls.

"But people's time challenges with the efficiency of business don't give them the time anymore to do that," Rollert adds. "The retail industry simply forgot they were really in the entertainment business. Amazon finally woke them up."

Naturally, it's no surprise that Rollert loves Amazon just like every other finance and retirement expert on the planet. But Rollert takes it a step further – or two steps further – than everyone else.

Take Nordstrom Local, which Rollert kept tabs on well before the company announced its intentions to innovate retail with a new store that features only services – and no inventory.

"When it comes to the big box businesses like Sears and Kmart, some will survive and some won't," Rollert says. "They have to get back to the entertainment business and Nordstrom is experimenting with it in the same way Amazon experiments."

This is the way the retail world is heading: Nordstrom Local reps shop for you. "They look at your coloring, height, what business you're in, where you want to be and they build a portfolio of clothes for you," Rollert says.

"They don't presume to know what will work for you and have it in the store. Instead, they'll identify it and go out and find it. That's the purest example I've seen and it's why Amazon had to buy Whole Foods. Amazon will get left behind too unless they move into the high touch space, which is where Whole Foods is on the grocery side. Nordstrom, meanwhile, is high touch on the fashion and clothing side."

Brace yourself for retailing is about to go through an enormous change, Rollert predicts, as it returns to "its root of entertainment."

One of the things Rollert teaches clients is that "you have to look through multiple perspectives when you do observations on companies and industries."

Take banking. Listen to Rollert's view on the banking and mortgage industries and how they are changing the landscape of loans: Over the next 10 years, banks and mortgage companies are going to offer programs where they are not going to charge customers interest but will instead share in the profits of the asset.

"It's known as profit-sharing participation," Rollert says. "It's a brilliant idea because if you have that kind of structure and the loan isn't amortizing, effectively you remove a very large chunk of the bankruptcy risk of a company," Rollert says.

By removing that bankruptcy risk, it allows a company to have lower than average capital structure.

Rollert is, in fact, currently advising a company, an originating mortgage firm, that is using the new model.

"When an individual shares in a participation loan, they share in the participation of the appreciation of the property in exchange for a lower interest rate – or none at all," Rollert says. "As a result, the mortgage company becomes a partial owner of that asset for a certain amount of time – like when the loan terminates if the owner of the asset passes away or if the loan is paid off."

It's almost as if Rollert is thinking five to 10 years ahead of everyone else.

"I'm always been interested in a profit sharing world -- there is a high level of brilliance to structuring a loan that way," he says. "You have to look at the appreciation and the validating method. There are conflict operational elements to it. I'm intriguing with pulling ideas from different areas and applying them to where they're normally don't see. I'm really excited about profit-sharing participation. It's going a lot of fun to work with as it becomes more popular." ***— By Rick Weinberg***

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