ALL THE PRESI

★ NET WORTH ★
UPON TAKING OFFICE

BILL CLINTON
$697,000

GEORGE BUSH
$4 million[1]

RONALD REAGAN
$3.5 million[1]

JIMMY CARTER
$823,000

GERALD FORD
$256,000

Note: [1]Estimated.

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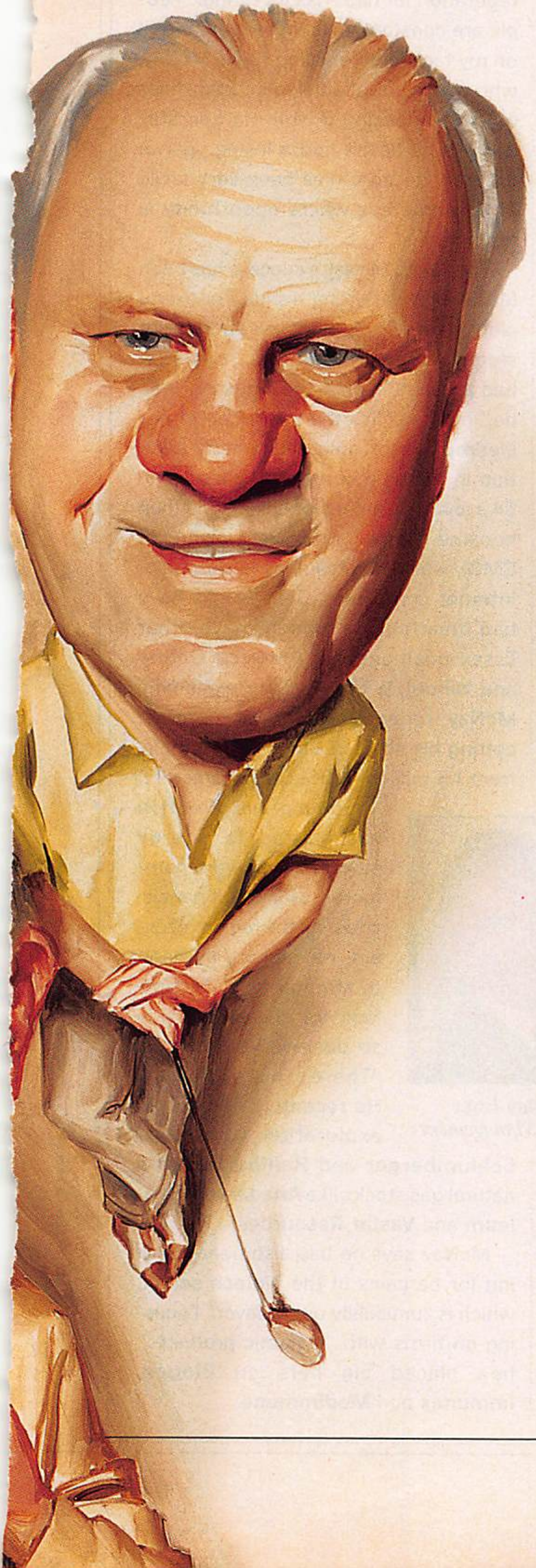
DENTS' MONEY

Clinton isn't wealthy yet, but Presidents Bush, Reagan, Carter and Ford are all multimillionaires. How do our Presidents get rich?



IF YOU COULD hire anyone to manage your money, whom would you choose? For most of us, it's a pointless question. But if you're the President of the United States, you have your pick of the savviest investors alive. ★ George Bush chose Bessemer Trust, a blueblood firm where the average account is $22 million. Ronald Reagan turned to a tight group of millionaire businessmen. Bill Clinton invested with Joe McNay, an elite money manager whose firm recently produced hundreds of millions in profits on Internet stocks. ★ Our cover story this month asks how you're doing financially. By way of comparison, we thought we'd find out how America's Presidents have fared in the extended bull market with all this exclusive investment advice. Not surprisingly, the answer is quite nicely. By MONEY's estimates, the four living former Presidents—George Bush, Ronald Reagan, Gerald Ford and Jimmy Carter—are all multimillionaires. Clinton isn't wealthy yet, but—despite those legal bills—we expect him to get there after he leaves office. ★ We interviewed dozens of people who've known the Presidents well—from their ex-Chiefs of Staff to their present and former money managers. We found, among other things, that Carter left office $1 million in debt, that Bill and Hillary Clinton are high-risk investors and that Bush may be worth $20 million. These guys are not your average retirees.

★ by ★
WILLIAM GREEN
with
JOAN CAPLIN

★ Bill Clinton ★

The investing gunslingers

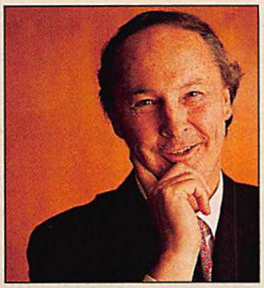
For over a quarter of a century, Bill and Hillary Clinton have repeatedly displayed a taste for unorthodox investments. Never averse to

ILLUSTRATION BY DANIEL ADEL

★ ALL THE PRESIDENTS' MONEYMEN ★

Whom do the most powerful men in the world pick to manage their money?

There's no more exclusive investment outfit than Bessemer Trust, which George Bush picked to manage his money when he was elected President. Founded in 1907 to invest the fortune of Henry Phipps, a steel magnate then worth about $50 million, Bessemer now serves as a private banker to 975 seriously wealthy clients. The firm's minimum account is $5 million, but the average is $22 million. One billionaire has entrusted the company with $700 million. Among its other clients are 75 current or retired CEOs of Fortune 500 companies. "These are financially astute people who like how we do our business," says Robert Elliott, a senior executive vice president at Bessemer.



Robert Elliott *Bessemer Trust*

The firm's investment style is, for the most part, pretty conventional. If you forked over $22 million now, says Elliott, Bessemer would invest much of it in about 45 large-cap U.S. stocks, including "global leaders" like **Microsoft**, **Intel** and **Lucent Technologies.** Bessemer looks for companies that will increase earnings by 15% to 20% a year, Elliott says, and it usually holds them for two to three years. The firm is less interested these days in small-cap and midcap stocks, which Elliott generally dismisses as "more volatile and a lot less liquid" than large-caps.

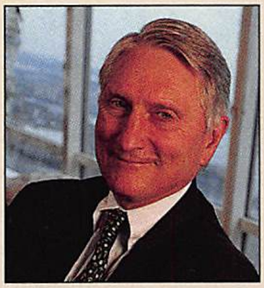
Bessemer would invest some of your millions in discounters like **Home Depot**, **Wal-Mart**, **CVS**, **Walgreen** and **Costco**. "Our thesis is that nobody pays full retail anymore," says Elliott. Another current theme is the aging of the population; Bessemer is playing this trend by investing in **Estée Lauder**, which helps consumers hide their wrinkles, and **Medtronic**, which sells pacemakers. Bessemer is also betting on the cable sector, which it expects to profit by delivering content over the Internet. Your cable holdings would include **Clear Channel Communications**, **Cablevision** and **Liberty Media**. In recent weeks, Bessemer has also added cyclical stocks like **Alcoa** and **International Paper**.

The emphasis on blue chips has served clients well, with Bessemer's large-cap portfolio averaging 30% a year for the past five years. The firm would also invest part of your fortune in venture-capital funds, hedge funds, leveraged buy-out funds and real estate funds. The goal with these risky and illiquid investments is a return of 25% a year, says Elliott, but "we've done better than that over the past 10 years."

Bessemer would round out your portfolio with bonds, but the firm typically underweights them. "Our clients," says Elliott, "don't need heavy fixed-income exposure to pay the light bills."

AMAZON AT $4

Compared with George Bush, Bill and Hillary Clinton have a lusty appetite for risky investments. So it's fitting that they hired Essex Investment Management to pick stocks for them. Joe McNay, Essex's 65-year-old chairman, has a superb record of buying hot growth stocks before the herd piles in. His Boston-based company, which manages $7 billion for clients like the University of San Diego and the Boston Symphony Orchestra, has repeatedly produced outsize returns.



Joe McNay *Essex Investment Management*

Last year, the Essex High Technology Fund soared 122%, reinforcing Essex's reputation for high-risk investing. "People are constantly waiting for me to fall on my face and get killed," says McNay, who works out of an elegant 29th-floor office overlooking Boston Harbor. Still, he says he hasn't had a losing year in the past decade: "I've been very facile at leaving areas where opportunity is topping out."

The key to McNay's success has been his talent for spotting trends. For example, he bought huge stakes in Internet stocks more than two years ago. "We had a vision of what the industry could be," he says. "It's the revolution of our lifetime." Essex amassed a hefty position in **Amazon.com**, paying less than $4 a share (adjusted for splits), and then became the second largest owner of **CMGI**, which has holdings in dozens of Internet companies. Both stocks have had breathtaking runs, as have other Essex positions like **America Online** and **Yahoo!**. With valuations exploding, McNay recently took some profits, cutting his stake in CMGI, for example, from 1.5 million to 961,000 shares.

Some of his attention has shifted to energy stocks, which were hammered by Asia's financial crisis. As the region recovers, he expects demand to strengthen. "The outlook for the industry is so positive," he gushes. "There's no risk in it." He recently snapped up exploration stocks like **Schlumberger** and **Halliburton**, and natural gas stocks like **Anadarko Petroleum** and **Vastar Resources**.

McNay says he has also been hunting for bargains in the biotech sector, which is "unusually out of favor." Focusing on firms with "dynamic products," he's placed big bets on **Biogen**, **Immunex** and **MedImmune**.

John Abbott (top); Marnie Crawford Samuelson risk, they've dabbled in everything from cattle futures to hedge funds to, most famously, Arkansas land.

For years, Hillary was the primary breadwinner. In 1991 she boasted total earnings of $180,000, including her take as a partner at the Rose law firm. She also sat on the boards of TCBY and Wal-Mart and accumulated $100,000 in Wal-Mart stock. "Hillary was the one trying to make money," recalls Roy Drew, her stockbroker for a year in the early 1980s. Back then, says Drew, "she didn't know anything about investing," but she "wanted to get involved in the stock market and learn."

Drew says he put Hillary in stocks like Diamond Shamrock and had her invest in a moderately profitable movie deal with HBO. But the Clintons gravitated to a hedge fund run by William Smith, a hard-charging money manager in Little Rock who says he now runs $170 million. Back then, Smith's hedge fund, ValuePartners I, placed heavy bets on small, volatile growth stocks. He also sold stocks short, betting that their prices would plunge. Smith, who has since become a more conservative investor, says his investment style suited the Clintons: "It takes a very high-risk individual to run for office. The odds going in are not that good."

The Clintons stuck with Smith for 17 years. Did he do well? "Objectively, yes," he says. He recalls that his fund averaged about 18% a year. After Clinton became President in 1993, the couple cashed out of Smith's fund and put their assets in blind trusts. By then, they had a net worth of $697,000, according to financial disclosure statements. Those assets, most of them in Hillary's name, included small stakes in equity growth funds like Janus Fund and Strong Opportunity Fund.

Hillary led the search for a trust manager, eventually choosing Boston-based stock picker Joe McNay, whose exclusive firm, Essex Investment Management (see the opposite page), has a stellar record of spotting high-growth stocks before others jump in. McNay's aggressive style made him a natural for the Clintons, as did his contacts. He manages money for three organizations they know intimately: the Children's Defense Fund, Wellesley College and the Winthrop Rockefeller Foundation of Little Rock.

Essex managed the Clintons' investments for five years, until April 1998. McNay won't give specific figures but says, "Essex had an extremely strong period," and the Clintons were "right in there." Still, the Clintons missed out on some of McNay's big returns from early investments in Internet meteors like Amazon.com, Yahoo!, CMGI and America Online because McNay resigned the account in 1998. He had sold part of his company to Affiliated Managers Group, creating a small risk that Bill Clinton might find out what was in his blind trust. That's because William Weld, the former governor of Massachusetts, is a director of AMG, and, McNay explains, "he and Clinton are friends."

Essex's decision to step aside was a tough break, since it caused the Clintons to miss the company's spectacular returns in 1998 and 1999. Essex's midcap growth portfolios jumped 49% last year, while its growth equity portfolios rose 52%. In the first four months of 1999, Essex's various funds returned between 25% and 75%.

The Clintons' assets are now being invested by Pell Rudman Trust, a conservative Boston-based private bank that manages $6.2 billion for 400 wealthy families. It usually takes $3 million to open an account there, and the median account is $15 million. "We call ourselves private wealth managers," says Edward Rudman, the firm's co-founder. James McDonald, Pell's CEO, adds: "We define our investment style as quality growth." That means assembling portfolios of growth stocks with strong balance sheets and consistent earnings. In the first 12 months after the Clintons came on board, Pell says its large-cap growth portfolios returned 20.6%.

Once they leave the White House, the First Couple will have the earnings potential to pay their legal bills and earn millions—sitting on boards, serving as high-priced consultants, delivering speeches and selling their memoirs. And if they divorce? Bill will be entitled to a big chunk of Hillary's assets.

★ THE SHARES OF GLOBAL CROSSING THAT GEORGE BUSH FELL INTO ARE NOW WORTH $14 MILLION.★

★ George Bush ★

Privilege pays

When it comes to financial matters, George Bush has led a charmed life. MONEY estimates that Bush is now worth as much as $20 million. Much of his financial success can be credited to wealthy friends and family who've given him wise advice and access to many lucrative opportunities.

The son of a Wall Street banker and U.S. senator, Bush grew up in tony Greenwich, Conn. Heading to Texas after Yale, he founded an oil-drilling outfit called Zapata Petroleum with financial backing from his father and an uncle. After 12 moderately successful years in oil, Bush sold his stake for $1.1 million in 1966 and became a congressman.

In 1981 he bought a 6.4-acre waterfront estate in Kennebunkport, Maine from his aunt, paying $800,000 without taking on a mortgage. Local property values soared and Bush made costly improvements. A broker who has visited the property says it's now worth $7 million to $8 million.

Elected Vice President in 1980, Bush selected William Farish, a friend and occasional tennis partner, to manage his blind trust. Farish, who runs a small Houston-based trust company, W.S. Farish & Co., handled Bush's money for eight years. He says he favors growth stocks and likes to invest in high technology, but he mostly invested Bush's nest egg in blue chips, since he was nervous about losing money for such a prominent client. "When you're managing that kind of trust," Farish admits, "you just want to be very careful."

By 1984, Bush's blind trust was valued at $879,000, and by

1991 it was worth $1.3 million. After becoming President in 1989, Bush moved his assets to Bessemer Trust (see the box on page 86), an ultra-exclusive trust company. The firm's regular clients need $5 million to open an account, but doors open fast when you're the most powerful man on earth.

Farish says he recommended Bessemer to Bush because it was "very forward-thinking. They do an awful lot of venture capital. They're not restricted to buying securities." Bessemer also boasted heavy-hitting clients like Donald Regan, former chairman of Merrill Lynch and Secretary of the Treasury under Reagan. Before investing with Bessemer, Bush asked Regan what he thought. "They did very well for me," Regan says he responded.

Farish, who remains close to Bush, says the former President is "very savvy" about investing. "He's actively interested...and his nature is to be on top of everything." It hasn't hurt that he's friends with many financially astute people, including Robert Mosbacher, who met Bush when they were both in the oil business and later became Bush's Secretary of Commerce. Mosbacher got Bush to invest in Hollywood Marine, a private company that owns tugs and barges.

Berdon Lawrence, president of Hollywood Marine, confirms that in 1978 Bush invested $50,000 in the firm through a limited partnership. Last year, Bush sold his stake for $154,194. During those 20 years, says Lawrence, Bush received income of $340,820 from the company. In other words, he made about 10 times his investment.

Still, those profits are nothing compared with Bush's latest score. Last year he made a speech in Tokyo on behalf of Global Crossing, then a privately held telecom start-up that's co-chaired by a friend, Lodwrick Cook. Cook says he and co-chairman Gary Winnick presented Bush with an unusual opportunity over breakfast, offering to pay his $80,000 speaking fee in Global Crossing stock. Bush accepted, and Global Crossing went public last August at a split-adjusted $9.50 a share. Since then, the stock has quintupled. The *Wall Street Journal* has reported that Bush's stake is worth more than $14 million.

Mosbacher, who introduced Bush to Cook in the 1980s, says Bush has greeted his good fortune with considerable glee: "He said, 'I can't believe it!' He's a normal human. He was surprised and delighted."

★ Ronald Reagan ★

A conservative investor

Ronald Reagan grew up in Illinois, the son of an itinerant salesman, but by the 1940s he was making about $150,000 a year as an actor. He lived frugally and invested his income wisely, buying a 290-acre ranch in Malibu Canyon, Calif. for less than $100,000 in 1951. He sold it 15 years later to 20th Century-Fox Studios for $1.9 million.

For Reagan, real estate was never just a way to make money, though, especially when it came to Rancho del Cielo, a 688-acre property near Santa Barbara. William Wilson, a businessman who owned a nearby ranch, found the land for Reagan. Wilson's daughter, Marcia Wilson Hobbs, recalls one of Reagan's first visits: "He fell in love with that property like a 15-year-old falls in love on a first date. I don't think he ever thought it would be worth one cent more than he paid for it." Nonetheless, having paid $526,000 in 1974, the Reagans sold it last year for $4.5 million.

When Reagan became President in 1981, he put about $740,000 in a blind trust. It was managed for the next four years by Raymond Armstrong, who ran a small investment firm in Stamford, Conn. Armstrong says he was probably recommended by another client, Reagan's Attorney General William French Smith. Armstrong says he looked for cheap large-caps for Reagan—stocks in the mold of GM and Procter & Gamble. "In those days, our goal was 15% a year," he recalls. Armstrong says he did "fairly well" for Reagan, but adds that "it was a difficult period, with interest rates way up." Still, by 1985 Reagan had a net worth of more than $4 million.

The President always depended for political advice and financial backing on a tight clique of California businessmen. In 1984, he turned to them for help with his investments too, closing his account with Armstrong and asking his friend George Scharffenberger to take over the blind trust. Scharffenberger, then chairman of a firm called City Investing, says he's served as an unpaid trustee and financial adviser to Reagan ever since. Joining Scharffenberger as advisers were Reagan's neighbor Wilson and Henry Singleton, former chairman of Teledyne.

Reagan's choice of advisers was revealing. "He picked old, trusted friends," says Marcia Wilson Hobbs, now West Coast head of Christie's. "They're all very careful, cautious men." Hobbs says her father favors blue chips like GE and Microsoft, and she assumes he suggested similar stocks to Reagan.

After leaving the White House in 1989, Reagan made $2 million for a 10-day speaking tour of Japan. And Scharffenberger negotiated a deal that reportedly landed Reagan $5 million for his ghostwritten memoirs and a book of speeches. Nancy Reagan got well over $2 million for her own autobiography. And for good measure, Reagan's closest supporters, including Wilson, lent him more than $2 million to buy a 7,200-square-foot house in Bel Air. He still lives in the house, which one broker values at $5 million.

In retirement, says Donald Regan, the Reagans also got

★ PRESIDENTIAL ★ RETIREMENT BENEFITS

ANNUAL PENSION:
$151,800

MEDICAL CARE AT MILITARY HOSPITALS:
Covered at government rate

SECRET SERVICE PROTECTION:
Cost not disclosed

OFFICE EXPENSES (AVG. 1998):
$214,254

Source: CRS Report for Congress.

"some [investment] advice from Warren Buffett." But today, says Scharffenberger, Reagan's money is managed by the trust department at Wells Fargo. With little reason to take risks, says Scharffenberger, "we have chosen fixed-income and tax-free [investments] for the Reagans." Scharffenberger says he no longer discusses strategy with the ailing former President but still talks with Nancy Reagan.

★ Jimmy Carter ★

More than just peanuts

Jimmy Carter's finances were a mess when he left the White House in 1981. His press secretary, Carrie Harmon, says the former President found himself more than $1 million in debt. The culprit was his family's peanut business, which lost money during his four-year absence. Carter decided to sell the firm for $640,000, then dug himself out of his financial hole with characteristic diligence. Over the next 18 years he pumped out 14 books, repeatedly hitting the bestseller lists. His biographer, Douglas Brinkley, says Carter has snagged advances of up to $400,000. Carter tells MONEY, however, "Most of my advances have been much lower."

Carter refuses to sit on corporate boards. And when he accepts speaking fees, he typically donates the money to the nonprofit Carter Center, which focuses on issues like human rights and children's health. Still, Carter hasn't exactly taken a vow of poverty. At 74, he pulls down a government pension of $151,800 and serves as a distinguished professor at Emory University, which he says pays him in excess of $100,000.

Carter owned a few shares of Coca-Cola before he became President but was no expert on investing. After leaving office, he turned to William Astrop, an investment adviser in Atlanta, who recalls, "He's one of the quickest studies I've ever encountered." Astrop built a portfolio of about 15 blue-chip stocks. "My marching orders were to buy quality growth stocks," he says. "He was not interested in my swinging for the bleachers.... He exhibited all the signs of a long-term investor and was not to be rattled by a correction."

★"OUR PORTFOLIO IS WITH MERRILL LYNCH," SAYS JIMMY CARTER, "AND IT'S DONE QUITE WELL."★

Nowadays, Carter says, "our portfolio is with Merrill Lynch, and it's done quite well." He has also kept a slice of his assets in real estate. A family partnership owns about 2,500 acres of timber and farmland in Georgia.

Even now, Carter lives in a modest house in Plains, Ga. that he's owned for decades. Brinkley says the former President is "very economical" and makes his own wine and furniture. Carter's friends note that he's happy to sleep in a Murphy bed in a small apartment at the Carter Center in Atlanta. "He's tight with his own money, and in government he was tight with the people's money," says Hamilton Jordan, Carter's White House Chief of Staff. John Moores, who owns the San Diego Padres and sits on the board of the Carter Center, says, "I couldn't possibly live the way he does.... He is as insensitive to material goods as anyone I've ever met."

★ Gerald Ford ★

The sunny side of the street

Gerald Ford was no millionaire when he replaced Richard Nixon in 1974. His net worth in late 1973 was $256,378. He had $1,282 in cash in the bank, he owned one stock, $3,240 worth of Central Telephone of Illinois, and he had $1,299 in the Stein Roe Farnum Balanced Fund.

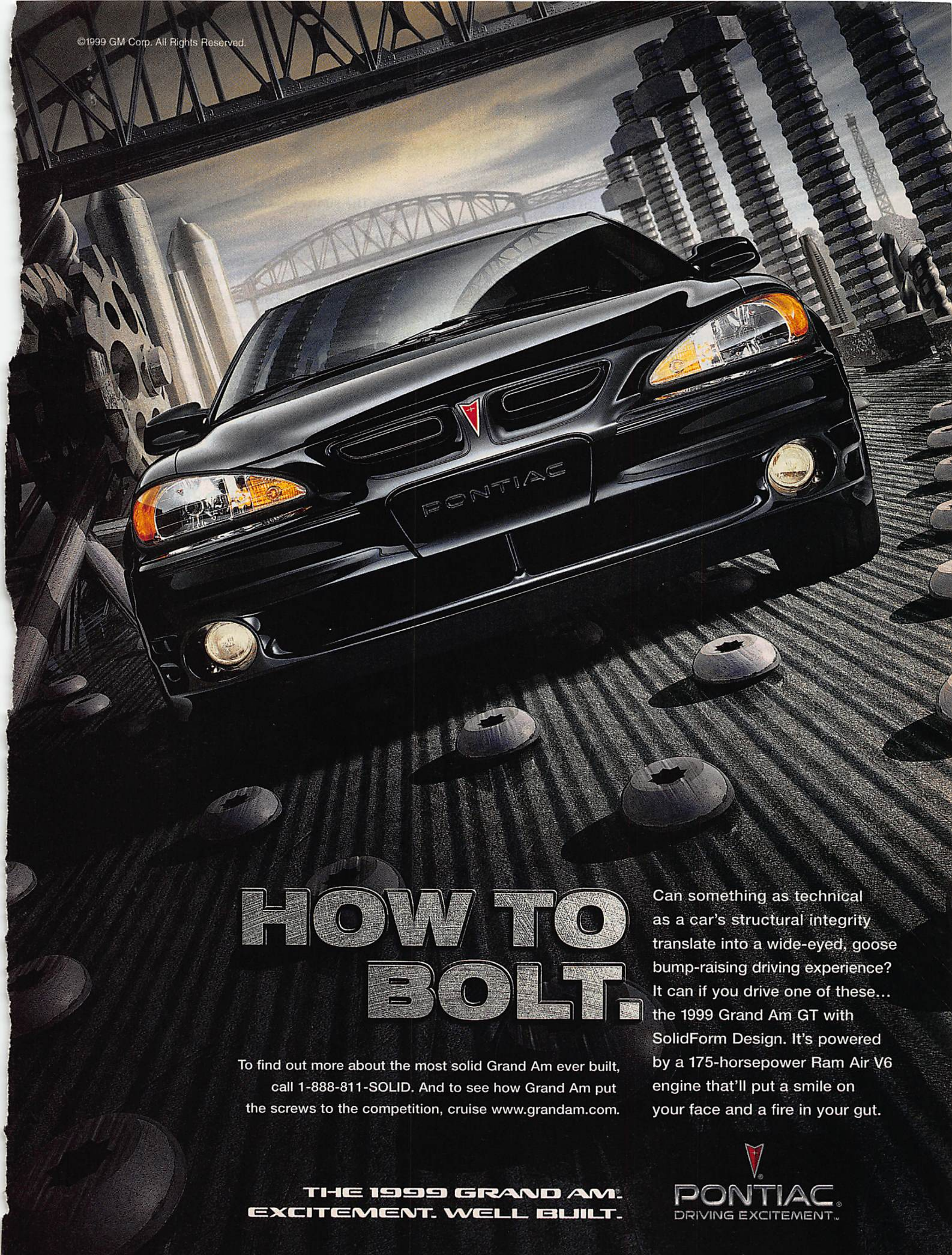
In 1972, the year before he became Vice President, Ford grossed $68,000 as a congressman from Grand Rapids, Mich. So the presidential salary of $200,000 was a windfall. "Ford was a poor boy who made more by being President than he'd made in any other job he ever had," says Robert Hartmann, his Chief of Staff when he was Vice President.

But it wasn't until Ford left office in 1977 that the money really poured in. Ford hired an agent from the William Morris Agency who negotiated a sweet TV deal, with Ford earning a fat income for his appearances on NBC. Ford and his wife Betty agreed to write their memoirs, and they pulled in a $1 million advance for the two books.

Breaking with presidential tradition, Ford also joined the boards of a slew of companies, including Amax and Travelers Group, and he signed on as an "adviser" to American Express. The *Los Angeles Times* calculated that he hauled in $541,300 in 1986 as a corporate director and consultant. Bill Seidman, a friend and economic affairs assistant in the Ford Administration, says he remembers questioning Ford's decision to become an American Express adviser: "I told him I didn't think it was the right thing to do. He did it anyway.... He'd been an honest congressman for 25 years and he had four kids. He had not seen the sunny side of the street financially, and I don't blame him for wanting to see it."

Today, Ford's real estate holdings alone are worth $4.5 million. He owns a house in Rancho Mirage, Calif. that a local broker values at $1.5 million and another in Beaver Creek, Colo. valued at $2.9 million.

Even at age 85, Ford continues to make big money. Along with Henry Kissinger, he's one of three advisers to the board of American Express; he sits on the boards of the National Association of Securities Dealers and the Chase Bank of Texas; and he's an emeritus director of Citigroup, which pays him $125,000 a year. With government pensions of about $250,000 a year, he's earning far more as a semiretired octogenarian than he made as leader of the free world.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