

A Fiduciary for Clients

An Interview with Laurence D. Fink,
Chairman and Chief Executive Officer, BlackRock, Inc.

EDITORS' NOTE In 1988, Laurence Fink, along with seven other co-founders, started BlackRock, an investment management firm. Fink started his career at First Boston Corporation after graduating from the University of California, Los Angeles (UCLA), and earning an M.B.A. at the UCLA Graduate School of Management in 1976. Fink also serves on the Board of Trustees of New York University and the NYU Langone Medical Center.



Laurence D. Fink

COMPANY BRIEF BlackRock (blackrock.com) is a leader in investment management, risk management, and advisory services for institutional and retail clients worldwide. BlackRock offers products that span the risk spectrum to meet clients' needs, including active, enhanced, and index strategies across markets and asset classes. Products are offered in a variety of structures including separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles. BlackRock also offers risk management, advisory, and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®. Headquartered in New York City, the firm has more than 10,000 employees in 30 countries and a major presence in key global markets, including North and South America, Europe, Asia, Australia, the Middle East, and Africa.

What is the current state of the global economy?

The global economy continues to strengthen, but the recovery is still uneven and there are obstacles ahead. In terms of financial markets, the S&P 500 Index rose 30 percent in 2013 despite these obstacles, and I remain a believer in global equity markets. Developed markets have continued to strengthen, while emerging market performance has lagged, and those economies will remain a key source of long-term growth.

That said, market and economic performance will be increasingly tied to political outcomes. Monetary policy is no longer able to have the impact it did in the immediate post-crisis years, so the world is going to be more reliant on fiscal policy and the ability of governments to create the conditions for economic growth – an inherently more volatile and unpredictable

process. Political leaders across the world will need to enact a variety of structural reforms that leverage the power of private investment and work to tackle unemployment, the impact of technology on jobs, insufficient infrastructure and, in many countries, under-developed financial sectors.

What was BlackRock's key elements for success during these 25 years?

Throughout our history, it has been important to stay true to who we are as an organization. We believe in be-

ing a fiduciary for our clients and this belief is at the core of our culture, and the cornerstone of our business model. We founded BlackRock for the very purpose of helping investors manage risk in their portfolios, because too often, people don't really understand what they're getting into. This means knowing, understanding, and managing the risk in every position, in any market, anywhere in the world.

A culture of excellence has also been instrumental to our success. At BlackRock, we are obsessive about client service and investment performance. Whether this means providing unbiased advice, searching out the best investment opportunities for our clients, or ensuring that passive products correctly track indexes, it is the center of everything we do and it's why people trust us.

If this culture is going to survive over time, we've got to institutionalize it. We need to make people feel ownership – both existing employees and new ones – so that the firm culture isn't dependent on a small set of individuals but is deeply felt throughout the firm, whether it's your first day or your 10th year. It's something that we're very focused on achieving.

What led to the depth of the responsibility that BlackRock feels to its clients?

Helping to secure the financial futures of working people from all walks of life makes the fiduciary obligations that underpin everything we do at BlackRock very real for us.

The responsibility that we feel towards our clients in pursuit of a secure retirement has never been greater.

These clients depend on the pension funds and 401(k)s that we manage, and the mutual funds and exchange-traded funds that we sell, and we remind our employees of this responsibility every single day.

At BlackRock, we do not believe that people should have to bear that responsibility alone. We believe our industry, along with employers and policymakers, need to step up and do a better job of helping people secure retirement and other financial goals.

You have been very vocal about the concern over financial security for retirees. What needs to be done in this regard?

Investors are underestimating how much savings they'll need in retirement and given the longevity phenomena, it is even more important today to focus on retirement savings. However, longevity can be viewed as both a challenge and an opportunity.

In 1930, far fewer Americans made it to "retirement age" and of those who did, their life expectancies were lower than today. Meanwhile, the responsibility for funding retirement has shifted largely to individuals, who are now asked to put a sizeable chunk of their paychecks into workplace savings plans. At the same time, Social Security is replacing a smaller portion of income than it used to, especially for higher earners.

The silver lining here is that many people can work and want to work longer, which means they have more time to prepare for retirement. Saving and investing in your working years to get the income you want in retirement can be achieved through several successful retirement behaviors.

These behaviors include investing earlier and letting your longevity work for you as those savings grow for even longer, putting away a larger percentage of pay during your working years and knowing how much you'll need in retirement and saving accordingly. Thinking in terms of annual income you'll need in retirement, as opposed to one large pot of savings, can also be an effective way of sizing your ultimate needs.

As Co-Chair of the Partnership for New York City, can you talk about what makes the Partnership so effective?

The Partnership is the primary vehicle through which business leaders use their ingenuity, experience, and resources to help leaders of government deal with the big challenges facing the city. Our members are committed to the city and to ensuring it remains the world's premiere city of opportunity. It's important that the next generation of municipal leaders focus on what unites the diverse elements of the city, not what divides us. ●