Sara Bonesteel

Episode 229: Executive Spotlight: Sara Bonesteel, Independent Director, Standard and Poor's Global Ratings

GUEST Q & A

Stewart: Welcome to another edition of the InsuranceAUM.com podcast. My name's Stewart Foley, I'll be your host. We've got a good one for you today, a CIO Spotlight with a little bit of a twist. We're joined by Sara Bonesteel, who is the recently retired chief investment officer of Prudential Insurance International. Sara, thanks for taking the time. It's great to have you on. We're thrilled. So, welcome.

Sara: Well, thank you, Stewart. It's my pleasure.

Stewart: So you and I met through... Actually, Sarah Marschok Sidman actually introduced us when you were on a CFA New York insurance panel a little while back. And you've been super kind to stay in touch and with this most recent role change, with your retirement, you join a growing set of people I know who are recently retired CIOs. And I think that you bring a unique perspective and I can't wait to get into it with you. I'm excited about this. It's going to be fun. So before we get going too far, I'd love to know where did you grow up? What was your hometown? And what was your first job? Not the fancy one, but the one that I can relate to.

Sara: Yeah. Well, I grew up in a small town in Michigan. Most of my family is still in Michigan. And we had a family business there. So my first job was working in the family furniture business a long, long time ago. Back in high school.

Stewart: What did you do? What was your specific job at the furniture business?

Sara: So I would sort upholstery and things like that. I mean, very, very simple stuff. Making sure that the store looked good. I would do the billing sometimes, get involved in that.

Stewart: Tapping into your inner accountant. I love it.

Sara: Yeah, right. That was my numbers person way back when. Yeah.

Stewart: That's cool. And so you've had an interesting career in that you've been on multiple sides of the business. And you were successful early on. Can you talk a little bit about the various spots along the way, and work backward from your most recent gig?

Sara: Okay, sure. Yeah. As you were saying, I recently retired from Prudential on the international insurance side. I'm increasingly... Somebody said, "Well, you haven't really retired. You've rewired." I like that very much. We can talk about that later. What it means to retire from a position like that and what the future holds. But I was in that role in international insurance for about 4 years. It was a job that I took on right at the inception of the pandemic. And so on the one hand in January of 2020, I was thinking, "Oh, this is great. I'm going to have all this wonderful international travel." Prudential has businesses in Japan, in Latin America, Brazil, at that time, Argentina, Mexico. We have JVs in China, in Indonesia.

So, I was looking forward to a lot of really fun travel. And then yeah, all of a sudden we had the pandemic and I didn't get a chance to see my colleagues in Japan for almost two years. So it was an interesting way to start a job. But we held it together. And I really, really enjoyed my time working with those businesses. In some cases, in the case of Japan, it was a very established, very well-managed business that had been at the top of its game in Japan for upwards of 30 years. We also had some up and comers like the Brazil business, which is really gaining some traction now. And a lot of youth and enthusiasm in that business. So everyone had its own special trait that made it really, really fun.

Stewart: I love that. So, I happen to know that you were an English major undergrad at Georgetown. And then you went on and got your MBA at Columbia. So what was the thinking behind choosing English for undergrad? I was a college prof for a minute, and that curriculum is very different than what I was teaching over in the finance department. So did you always have it in your mind that you were going to go on to grad school?

Sara: I actually didn't. I was not a person who came into college thinking, "Okay, I want to be a financial analyst and go through a training program." I really didn't have that much direction. I wound up selecting English just because I really enjoyed the study of it. And I think sometimes the liberal arts get a little bit of short shrift, sort of, "Well, what are you trained to do when you get done with the liberal arts degree?" Well, you're trained to write, you're trained to think, you're trained to reason, you're trained to argue. And I think those skills are skills that are applicable in lots of different places. So coming out of undergraduate, I still didn't really know what I wanted to do. And really used grad school as a way to refocus. And I loved grad school. I thought business school was just so fun and made tremendous friendships there and just really enjoyed it.

Stewart: See, it's interesting that you talk about the liberal arts. Because I taught finance at a liberal arts school. To which some of my colleagues at the time said, "We're not a trade school." And I'm like, "I get it." But at the end of the day, I did not understand the benefits of a liberal arts education, but I came to understand it over time and it's an amazing underpinning no matter what it is that you're going to go do. What did your parents do and were their careers influential in yours?

Sara: I wouldn't say in a super direct way. Yeah, my dad owned a furniture store with his brother. So he was an entrepreneur. My mother was an occupational health nurse, but I wouldn't say that there was a lot of direct connection. I think it was more just sort of the ethos of wanting to succeed, wanting to do well in school. Had a lot of support from my parents at home. And it was more that than anything super along the lines of what I wound up doing.

Stewart: And what was the gap between your undergraduate degree and when you started grad school to get your MBA?

Sara: I started grad school three years after undergrad. So I had a job in the interim, actually a very interesting job. I was working for an arts organization that was organizing art exhibitions and bringing them from overseas to the US and touring them around. And it was small organization and fun, but I didn't really see a path for myself there. I wasn't that passionate about it that I wanted it to be what I did for the rest of my life. So I really used the MBA to reposition myself and just broaden the opportunity set that I would have when I got out of school.

Stewart: And the reason I ask is, I'm a first-generation college student. My grandmother got a high school diploma in May of 1933, and I got the next one in May of '82.

Sara: Wow.

Stewart: And I was so uninformed, ignorant, whatever you want to call it, about the financial markets and what opportunities existed and so forth. And I'm not alone. I mean, there's a lot of first-gen kids... I mean, even where I taught prior, it was always about 20% of the class were first-generation kids. And so I just didn't know. I mean, you got out of grad school and you became successful very quickly. And for me it was much more delayed. And I'm wondering if there's anything that you could share with folks who maybe are first-gen about how to maybe get traction earlier in their careers. Do you have any guidance there that you'd want to offer?

Sara: Well, I think you're right that there is so much of the world of finance that is just not visible to you as just a human walking around on the planet. That really, it's hard to know how vast and how varied those opportunities can be. And so that's aided a little bit by the internet now. I guess there's a lot... It's easier to find out than it used to be. But I think it's important to just make sure that you are informed and that you do sort of put yourself in the running for things and not count yourself out. Not count yourself out too early.

I think one thing that's changed since I came up through it is that I think there is more recognition of the importance of a variety of skills too. It's not like everybody needs to be 100% quantitative or 100% super aggressive in sales. I think there's more appreciation for people who have good people skills, who are having interesting insights that maybe not the whole room is having about a particular situation in terms of maybe it's trading strategy, maybe it's how to approach a customer. I think that's better than it used to be. It used to be it you sort of felt like, well, you either have the goods or you don't. It was very binary. But I think there's more appreciation in the financial services these days for the whole gamut of skills that a person can have.

Stewart: It's interesting when we were... Our recent symposium in June. A question was asked of the room. There were about 120 folks in the room, about 90 of those were insurance allocators. And the question was, "How many of you require a college degree?" And to my surprise, a fair number of hands went up that did not require a college degree to hire someone. And I wonder if colleges and universities are hearing that message that says, "Essentially, you're not teaching the skills that we need in our workforce." I mean, that's interesting.

Sara: Yeah. That's really interesting.

Stewart: That is an interesting... I didn't think that was possible to get into this industry without a college degree, but I was wrong. But your career is interesting in that you spent a good while at Bear Stearns in structured securities, which I love structured products. Was a fixed income geek for a long time. You were also in the asset management in PGIM, and you were also the CIO of an insurance company. So you've had a variety of perspectives in this business. Can you compare and contrast those different roles?

Sara: Yeah, sure. I'd be happy to. So the sell side... So what is nice about the sell side is that you are rewarded for having good ideas and executing on those ideas. And that connection between your individual effort and the ultimate reward is extremely clear. Now, that goes both ways of course. But at least it is a very clear relationship between your ability to bring value to a customer, to a client, and where your career goes.

Stewart: It's almost a personal P&L, right?

Sara: It is. Yeah.

Stewart: I mean, that's exactly what you have. Yeah.

Sara: Yeah. And there's also a matter of, "Okay. Well, what have you done for me lately?" So you have to continue to produce and be useful. But that part of it was really great. You at least understood that equation. That bit of it gets a little less obvious once you hop over to the asset management side. And I think for good reasons. We at Bear used to call, if you were working on the sell side, you were working for a moving company. You were trying to move products, get it into a portfolio somewhere, and that was sort of the end of it. Once you're on the asset management side, you're really more of a storage company. So now you care about what is going to happen to these products that you've sold over the longer run. You care about your longer term track record, you care about the success of your clients in the longer term.

So there is definitely a different perspective that you have on things. You worry about that bond position that you bought and whether or not it's ultimately going to bite you, or are you going to be okay? Did you get paid appropriately for taking that position? I really enjoyed PGIM because of their care for their clients on the one hand, but also their willingness to entertain a sort of new out-of-index idea that was going to add alpha and improve performance and improve track record. So there you sort of got both. There was, on one hand, a longer term perspective that is maybe a healthier perspective than just move it out the door. But at the same time, you could sort of point to things that you did and say, "I did this." And that would be reflected in how you did, you personally did over the longer run.

I also think that in an asset management company, obviously when someone's diligencing an asset manager, they also care about the culture and collaboration. And is this a dysfunctional culture or one where people work together well? Do they communicate with each other well? What is the process that is leading to hopefully the alpha? And so I think that's another reason why it can't quite be as linear as, "Okay, do this trade and therefore you get paid." So it's a little more obscure, it's a little sort of longer-term performance. And so that's how that works. Then you get over into insurance company, and it is even another degree of remove away from that direct relationship. And the timeframe is even longer. So you've gone from a world where you care about a quarter to quarter your track record, maybe it's your annual 3-year, 5-year, 10-year track records, to something where you're trying to hedge a liability that is 10, 20, 30 years long.

And you're penalized when you're trading. In life insurance company you really don't like to trade things very much because you're taxed if you've made a gain. And there are disincentives to do a lot of trading. So you really kind of want to get it right with respect to the asset pool that you're buying. Because PGIM is the principal asset manager for Prudential Insurance, it really meant that it's more about... On the insurance side, more about sector selection and sector allocation than it is about security selection.

So it's just another degree of abstraction. You no longer get to talk about the AA CLOs or this particular manager in that space. You have to talk about maybe the bucket is the structured asset sector. It becomes more... Again, more broad and abstract, and you don't get into as many details as you do in either asset management or on the sell side. And again, I think your performance is assessed not so much on financial performance or the return that you're delivering to the portfolio, because there are a million things that influence that in insurance. It's not just, "Okay, am I 10 basis points over a benchmark?" It's also, "Well, what did my liability do? What's the tax position? How much are we permitted to trade? Are we permitted to trade for losses? Are we restricted on gains because of a tax position?" So multiple parties. What do shareholders think? We have to take all this into account. So it's much tougher to have a direct linear relationship to what the portfolio is doing.

Stewart: That's really helpful. And I think really, I mean, really accurate to I think the realities of those three areas. And you and I talked a little bit about this, and I want to do a lot of hedging upfront. So here goes a 60-year-old gray-haired white guy that's going to talk about this. Why are there not more women in the field? And I have been a massive advocate, but I fully recognize that as a gray-haired white guy, I'm not the most obvious choice to discuss gender in the workforce. But what I do know is that there are not a lot of women who... And I used to tell my students, the calculator and the spreadsheet does not know your gender.

Finance is all about... You're valuing future cash flows and you're evaluating the probability that those cash flows come in at the levels that you think they're going to. And the more uncertainty, the greater the discount rate. And your job is to value this stuff. But the reality is that there are a whole lot more guys in this business than there are women. Can you talk a little bit about why you think that is? Why is it so hard to get, at least in my experience, get female students interested in finance and insurance and so forth? Super lucrative careers, major opportunities. And just sort of talk a little bit about your experience there.

Sara: Okay. Yeah. And I think just to talk more broadly about women in the investment world, we start out, and I think this is true in a lot of places, with a class of analysts that is pretty much split 50/50. That's where it starts. And I think every place tries to achieve gender balance when they're hiring brand new, fresh out of the box undergraduates. But where we tend to lose women I think is kind of in mid-career. And it's just the confluence of factors from your life at that point can make it really hard. If you're having children, you're getting into those years, that's obviously a very big deal from a time and attention standpoint. Maybe you have a partner who is also in that stage of their career where maybe their career is bananas as well. And frequently that's where we lose them. We lose them when they start having kids.

Maybe not after the first one, maybe it's the second one. It just gets too hard. With two careers especially, it gets too hard. And it's often the woman's career that gets sacrificed. So I think that's a really big factor. It is unfortunate that sometimes women sort of self-exclude themselves from the field to begin with. As you were saying, "HP-12C, what is that? I don't want it. That doesn't seem like it's for me. I don't see people who look like me in this field." But I think you need to look beyond that a little bit or not jump to that conclusion quite so soon because it isn't like that. And there are lots of good ideas. And I didn't necessarily... I didn't think about it too much. I just found it so interesting that I just sort of kept going.

Stewart: It's interesting. We had Maura Cunningham on from Rock The Street, Wall Street. Which is, they're on our platform and it's a pro bono deal for us. They promote financial literacy among 11th and 12th-grade women. And she says that it goes back to the way that girls and boys are treated early in their educational experience around like shying the girls away from math or, "Have your brother help you with that." Or whatever.

And for her, she said it starts really early. And I was surprised at that. And then the other thing, the other one that I always go back to is Margaret Milkint said to me... Margaret is a longtime friend. Runs the insurance practice at DivSearch. She said at an event at my former college that women... That men with 75 or so percent of the qualifications for the job will apply for it and argue for it. And women, even if they have a 100% or 110% or 115% of the qualifications, for some reason or the other will not apply. And I don't know what the psychology is behind that, but I do think it's helpful just to talk about these issues because the evidence is hard to ignore.

Sara: Yeah. And I have certainly witnessed that and have counseled many women who wonder whether they should apply for a particular job because they don't have every last qualification listed in the description under their belt. And men will just give it a shot. Men just give it a shot. And it's too bad. But I do think women sometimes self exclude for reasons that aren't the best reasons.

And I think it's important at least when you're young, to have some basis of knowledge. Something that people will rely on you to contribute to any conversation you're having about investing. You need some specialization where you can go really, really deep. But there are other situations where it's not important to know every last detail, especially as you get more senior, you can rely on others to a certain extent. And as long as you're sharing the credit, as long as you're attributing it to the place the knowledge is coming from, that there are... The more senior you get, the less important the specific, specific knowledge of everything is. But you do need to have some deep expertise in at least one area, but you can use that to sort of lever into your next job.

Stewart: I know that that's one of the challenges that the University of Chicago was facing, at least when I was going there, is the transition between being a producer of information and being a consumer of information. And that that transition is important to get you to the executive ranks that you need to be able to do that successfully. Which is I think somewhat of what you're addressing here.

Sara: And a key to that I think is first of all, you do have to have a little confidence that it's okay that this person who maybe is working for me knows more about this topic than I do. You have to have the confidence that that's okay. And the confidence to give that person credit and let them be in the spotlight for their particular expertise.

Stewart: And so let me ask you this one, and I don't know if this is exactly the right way to ask it, but do you think that being a female CIO helped or hurt, or didn't matter on the international insurance side?

Sara: So I never would've guessed this beforehand, but I actually think it helped. This is a job that years ago I actually really wanted, but maybe something to what you were saying earlier, I sort of self-excluded myself from it, because I thought, "Okay, I'm this American lady and I'm supposed to be CIO of our Japan insurance companies?" And it's very traditional. I've even heard our Japan subsidiaries described as more Japanese than Japanese insurance companies. So very traditional, very conservative. I just thought, "There's no way. I'm just not... I'm not the right profile for this job ever." And then I was offered the job and I sort of thought, "Oh, geez. How is this going to go?" But as it turned out, there were a couple of things that helped me. First of all, there is respect for hierarchy in Japanese business culture. So the fact that I was coming in senior, that really helped.

But I think also that my management style was a good fit. And by that I mean that I tend to have a very collaborative management style. I think I've learned through the years that a way to get someone to do something is not to tell them to do it, but let them come to the conclusion that it's the right thing to do and let them come up with a version of the solution that makes everybody happy. And given Japan's business culture of looking for that consensus, looking for a way that the group can sort of proceed a project together, I found that that style worked. That if I would make decisions not to die on any one particular hill, rather let the team in Japan come up with a solution, present the solution to me and then we can talk about it. And I think that made everybody feel better.

Stewart: That's really helpful. I looked at the time, this is the fastest a podcast has ever gone, from my perspective. I mean, we're about at time. So I'd love to have you back. But let me ask you a couple on the way out the door. Let me take you back to undergrad. Hopefully you remember the day you graduated from Georgetown and you walked across... And I mean, as a former professor, I've seen umpteen graduations, commencements. And they're all about the same version. Which is you're waiting and your last name starts with B, So you're early. And so you march across the stage and everybody's going crazy. And they hand you your diploma or something that's supposed to be your diploma. And you shake the president of the college's or university's hand, and you shake the chairman of the board of trustees or whatever. And then you walk down the other side after a couple of pictures. And I wonder what you would tell a 21-year-old Sara Bonesteel if you could meet her today at the bottom of those stairs?

Sara: Well, yeah, I guess there are a couple of things, at least on the career side. I would say, first of all, know that your career is a very long game. And don't put too much value on things that might occur, that you perceive as setbacks. Maybe it's that missed promotion. Maybe it's a job that you post for that you don't get. It's not personal. Roger Federer got a lot of attention lately by saying that he lost... What? He made... What did he say? He won 54% of his points across his career. That meant that he lost 46%. That is life.

Your career is a bit of a game. It's not necessarily personal. There will be losses along the way, but there are also going to be wins. And a lot of it is how you choose to respond and how you choose to pivot. If there are things that you want to do in your career that maybe don't happen the instant that you want them to. It's a long game and you can use what happens to you to just pivot to... It might change your focus or it might... Maybe you stay with the focus, but things do happen, but it's over a very long period of time.

Stewart: That's really super helpful.

Sara: And lateral moves are worth a lot. I would also say that. Don't dismiss the lateral moves. They're very interesting and they can send you into a path you didn't think you were going to go.

Stewart: I will say this, I do think that the loyalty, the willingness to stick around and wait with the younger folks, I think that a lot of these people have seen companies not treat their parents very well, and they don't feel like they need to stick around. And the result is that there's folks who change jobs. In my career starting out, if you had a couple of jobs in a short period of time, that was a real negative. That seems to be more the norm today than not. Do you have any advice there for the folks who are earlier in their career about staying versus leaving?

Sara: Yeah, I've noticed that as well, and I'm probably with you. Meaning that I think the best answer is probably somewhere in the middle. I think 2 years on a job, a succession of jobs where you're there 2, 3 years, that's probably not a great way to build a career, at least not where you're developing deep knowledge about something. Maybe it's remunerative. Maybe you wind up making... Maybe each of those is at a different pay scale, and that's good. For me, it was not going to be the right answer. I liked spending... I liked being in the organizations where I was. I think that's part of it too. If you find a place that you really like, oh, by all means you should stay. Again, because think of the time that you spend at your job. You shouldn't spend ridiculous amounts of time at a place you don't like.

Stewart: What do you think about the availability of mentors? Because I feel like the reason that a lot of people leave jobs is they have a bad boss. They transfer into something and they end up with a bad boss. And is it helpful to have mentors that are in other areas of the organization? How do you build those relationships? Can you talk a little bit about that?

Sara: Yeah, that's a great point. And that can indeed sort of increase your longevity in a place where you possibly have multiple career paths. And mentors are really important. And what I would tell young people is, don't be afraid to ask that senior person to have lunch or to have a cup of coffee. Frankly, it's how you're going to differentiate yourself from the other people in your class. If you're outbound with that. And I always found it very flattering that somebody who actually wants to pick my brain for a half an hour about a job opportunity or something that was happening in their work. Don't be afraid. People take it as a compliment, not as a burden to talk to young people when they're seeking some advice about their career.

Stewart: And the evidence is clear. You're doing this podcast. So I want to say thank you for that as well. And here's my last one out the door. So this is kind of a fun one, and this is a lunch, table of four, including you. You can have one guest or up to three. Who would you most like to have lunch with, alive or dead?

Sara: Oh, geez. This is hard.

Stewart: It's all fun and games for the first 30 minutes and then it's like, "Holy smokes. That's a hard one. Where'd you come up with that?"

Sara: Right. That's a hard one.

Stewart: So I mean, I can just anecdotally say that you have relocated back to Michigan. I'm giving you time to think. You've relocated back to Michigan, and so you're back in the Upper Midwest. Congratulations. Welcome back.

Sara: Thank you.

Stewart: That's all good. Just killing a little time while you think through your answer.

Sara: I'm still thinking. I'm still thinking.

Stewart: You can change your answer later. It's okay.

Sara: Let's see. Off the top of my head. Alive or dead. Oh, this is too hard, Stewart.

Stewart: Well, how about, just pick one. Is there one person that you'd like to have lunch with?

Sara: No.

Stewart: No.

Sara: I can't.

Stewart: Okay. You're trying to narrow it down.

Sara: I'm sorry. I wasn't ready for this one.

Stewart: All right. That's okay. We have had a number of answers. I'll tell you, they have been all over the map. We have had some consistencies. Buffett's come up a few times.

Sara: Okay. Yeah, that's a good one.

Stewart: Abe Lincoln has come up lately.

Sara: Oh, well, yeah. That's a great one.

Stewart: Yeah.

Sara: I would probably put Abe Lincoln on my list. Since I'm a music fan I think I'd put Beethoven on there, although I don't know that he would be a fun lunch companion, but…

Stewart: Well, I mean, I think it would be interesting to have Abraham Lincoln and Beethoven, just to see how that went alone. That would be…

Sara: Oh, that would work out. Yes.

Stewart: That would be interesting just by itself. So it's you and Abe Lincoln and Beethoven. And is there a fourth?

Sara: That's maybe Grace Hopper.

Stewart: All right. Who's Grace Hopper?

Sara: She's the first woman computer expert.

Stewart: Oh, there you go.

Sara: I think that might be interesting.

Stewart: That's quite a lunch. You, Abe Lincoln, Beethoven, and Grace Hopper. There's the four. You did it. You did it, Sara. You did it. Good job.

Sara: It was hard. I don't know.

Stewart: No, it was good. It was perfect. Good job. So I just wanted to say thank you very much. You've been a tremendous shining light in the industry. You were actively involved in IWIN, which is promoting women in the insurance industry, insurance investment community. And you volunteered your time with the CFA New York panel. You've been super gracious and very generous with your time today. So I just wanted to say thank you very much for being on. I really enjoyed the conversation and I know that our audience will too.

Sara: Well thanks, Stewart. I think it's great that you're doing this. And so thank you for the opportunity and just wish everybody well.

Stewart: That's great. We've been joined by Sara Bonesteel, who is the recently retired chief investment officer of Prudential Insurance International. Thanks for listening. If you have ideas for a podcast, please shoot me a note at Stewart@nsuranceaum.com. Please rate us, like us, and review us on Apple Podcasts, Spotify, Google Play, or wherever you listen to your favorite shows. My name's Stewart Foley and this is the InsuranceAUM.com podcast. We'll see you next time.