



# PERSONAL WEALTH

**A network of fee-only financial planners aims at the no frills, middle-class client**

BY LYNN BRENNER

ADVISERS

## Advice à la Carte

UNTIL RECENTLY, first-rate financial planning was like J.P. Morgan's yacht: If you had to ask what it cost, you couldn't afford it.

You can now feel free to inquire, because some fee-only planners are offering as-needed service at affordable hourly rates. Their target client: the overworked do-it-yourselfer who is in need of expert, unbiased advice. Does this sound familiar?

Of course, a healthy percentage of top advisers still cater only to very wealthy clients—people with portfolios worth at least \$3 million, who don't flinch at a \$10,000 annual minimum fee. Sheryl Garrett, a Shawnee, Kansas, adviser who is an ardent proponent of hourly financial planning for the middle class, estimates that fewer than 300 firms nationwide are structured to provide fee-only advice to middle-income Americans. Many of them are members of the Garrett Planning Network (GPN), an organization she established in 2000. GPN advisers get a “steady stream of referrals” from fee-only planners who don't want to work with middle-market clients, she says.

Garrett left a wealth management firm in 1998 to create her own practice, Garrett Financial Planning. She was

determined to serve people who don't have enough assets for a high-end financial planner and who want occasional recommendations and check-ups from an adviser rather than an ongoing retainer-based relationship. Her firm is designed for clients who need objective advice to help them manage their own finances rather than for those who want to turn everything over to an expert. “I think most Americans want to consult a financial planner periodically, the way they'd consult a doctor or dentist,” she says. “The comment I hear most frequently from my clients is, ‘I just want to know if I'm doing things right.’” She finds that on average, at least half her clients return annually.

Most GPN members are certified financial planners, which means they have passed a rigorous two-day exam, meet a continuing education requirement, and abide by a written code of ethics. As GPN advisers, they also agree to work on a fee-only basis, and may not require account minimums or long-term contracts for the majority of their clients. GPN also vets its applicants' ADV forms, which all registered investment advisers must file with the Securities and Exchange Commission and/or their state securities board. These documents reveal any prior convictions for investment-related felonies or misdemeanors, lawsuits, or arbitration proceedings, and disclose advisers' educational backgrounds, the type of services they offer, and how they are paid.

GPN members remain independent professionals, but in exchange for enrollment fees and annual dues, they receive practice management tools—time-tracking and billing software, marketing materials and support, and

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educational courses—as well as unlimited access to a network of their colleagues. All of that benefits the GPN clients, too, of course: They get a counselor whose credentials have been examined by a knowledgeable third party, whose business is likely to run efficiently and profitably, and who can brainstorm with peers on a regular basis.

GPN now numbers 115 members. They are all generalist financial planners but come from a wide range of backgrounds including tax accountancy and insurance, as well as investment management. The GPN Website ([www.garrettplanningnetwork.com](http://www.garrettplanningnetwork.com)) lists the members by region and by 21 areas of expertise, including employee benefits; stock options; divorce planning; corporate severance plans; and college, tax, and retirement planning.

Fees average about \$150 an hour. At the low end, Dean Knepper, a Leesburg, Virginia, adviser, charges \$100 an hour. “A plan that includes basic cash flow and income tax planning, retirement projections, and investment and employee benefits recommendations, but not college funding or insurance analysis, typically costs \$800 to \$1,200,” he says. At the high end, Mark Barrish, of Mount Laurel, New Jersey, charges \$200 an hour. However, if an assignment takes 10 hours or more, he usually works for a flat fee that discounts his hourly rate by 50 to 60 percent.

All GPN advisers ask prospective clients to fill out at least one questionnaire, which can be downloaded online, before coming in for a 30- to 45-minute, free, no-obligation, “get acquainted” session. Couples are usually asked to fill out two risk tolerance forms. “I have the same questionnaire whether you’re coming in with a specific question about paying for college or looking for a comprehensive financial plan, because everything is so interrelated,” says J. Jay Hurford, an adviser in Westlake Village, California. “For example, how can you save for retirement if your family depends on your income and you have no

emergency reserves or insurance?”

The first meeting is as much a chance for advisers to explain what they do as for clients to say what they’re looking for, explains Barrish. “Many people aren’t sure what fee-only planning is,” he points out. Indeed, the only personal finance “advice” many Americans have been exposed to is product-driven—that is, thinly disguised sales pitches. “I’ve had people say, ‘What I really want is a market-beating return,’” says Barrish. “That’s not what I do.” But more typically, he adds, prospective clients are delighted to receive disinterested advice based on an analysis of their specific needs. “I get the remark fairly often, ‘I’ve been searching for years for someone like you!’” agrees Rich Chambers, a Menlo Park, California, adviser.

A financial planner who is acting as

eral ways, and may wreak havoc on your retirement.

The average American’s unfamiliarity with custom-tailored service is also evident in the questions GPN planners hear from people who have been working with brokers. “People come in very uneasy with their portfolio, asking if it’s really doing what it should,” says Hurford. “I ask them, ‘What does your investment policy statement say?’ And they look at me with a blank stare, saying, ‘What’s that?’” An investment policy statement is a document that puts in writing your goals and the strategy your investment manager will use to achieve them, he explains—including what asset classes will be considered, the allocation among them, and the criteria for selecting investments. One purpose of this document is to help both the client

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your fiduciary has an entirely different perspective than one who is selling products, says Hurford. Clients often ask him whether they should buy long-term care insurance, for example. “Many people feel they’re doing something wrong if they don’t have this coverage, because of the way they’re approached by insurance agents,” he says. Hurford’s immediate response is a question that you’re unlikely to hear from a salesman: Can you afford the premiums—not only now, but after you retire? If not, he says, you shouldn’t buy it. “For many people, these premiums are a stretch, even while they’re working. The last thing you want is to retire and be unable to maintain the policy and have it lapse.” On the other hand, Hurford says, it can make sense for people to team up with their siblings to buy long-term care coverage for their parents—because the expense of becoming financially responsible for your parents could substantially exceed the cost of a premium split sev-

and the adviser refrain from improvising when the bottom falls out of the market. Hurford draws up policy statements for hourly clients who request them, and always provides them for clients who want him to supervise their portfolios on an ongoing basis.

But GPN advisers say their clients usually aren’t looking for someone to manage their money. On the contrary, they want to handle their own finances, says Barrish. “The individuals I see are middle or upper-middle class,” he notes. “Their primary investment is in a 401(k) plan, although they often also bring in brokerage statements. They’re really interested in an evaluation of their investment strategy—a second opinion.” That is why he focuses on teaching investment techniques that his clients can implement themselves.

Few people, for example, actually know how to build an investment portfolio, Barrish claims: “If the 401(k) plan offers five funds, for example, they’ll just



put 20 percent of their money in each fund.” He designs a diversified portfolio based on his analysis of the client’s goals and risk tolerance, and suggests specific products. Although he recommends no-load funds, Barrish sees himself as a friend, not a competitor, of the brokerage community. “If people are satisfied with their broker and ask me to suggest a load fund, I will,” he says. “But I’ll look for a load fund with low annual expenses.” He gives clients an action plan to follow as well as a three-month period during which they can call him free of charge with questions about its implementation.

Undiversified 401(k) accounts are often the result of inadequate investment menus. Most plans have very limited choices, says Knepper. “It’s a big problem. The typical 401(k) I see is mostly large-cap funds, for example. And on the bond side, the only choice is usually a long-term bond fund.” Knepper helps clients compensate for their

401(k) plans’ limitations. In some cases, he might advise them to contribute only enough in their 401(k) plan to get a matching contribution from the employer and to concentrate on saving for retirement in IRAs and/or in taxable accounts invested in tax-managed or index funds. As Knepper points out, these are effectively tax-deferred until they’re sold—and then taxable at low capital-gains tax rates.

The planners’ practices vary according to their backgrounds and personal interests. Glenda Moehlenpah, a San Diego adviser, focuses on debt management. Some of her clients have no investable assets. “I see lots of people who spend more than they earn,” she says. “Often, they’re young couples who have grown up never knowing what it’s like to do without. They have champagne appetites on a beer income—and an ‘I deserve it’ mentality.” Moehlenpah finds it enormously rewarding to teach these clients how to get out of debt and

start saving: “It feels awesomely good to make huge changes for small clients—better than making incremental changes for big ones.”

By contrast, Chambers’s Menlo Park clients rarely want budgeting assistance. “My most-requested service is to look at current investments and recommend replacements,” he reports. Like many of these advisers, Chambers finds that those people who have suffered the worst losses are often reluctant to diversify out of highly concentrated positions. They’re so focused on the investments themselves that they’ve lost sight of the larger picture, he says: “The healthiest attitude is to focus on where you want to get and what you need to get there. The investments are just a vehicle.”

John Pochodylo, a Phoenix adviser, specializes in projecting retirement living expenses and designing portfolios for clients who are newly retired or close to retirement. These days, many people walk into his office with heavily damaged portfolios. “Almost all of them were 100 percent invested in stocks or stock funds,” he says. “They thought the market was an actuarial table—you put money in, you get 15 percent.” In addition to recommending reallocated portfolios, Pochodylo searches for ways they can reduce or eliminate debt and also cut their investment expenses. “When you’re playing catch-up, it’s even more important to pay attention to what you pay to the intermediaries, or the croupiers, as I call them,” he says. “It’s the tyranny of compounding—paying an extra 1 percent a year on an investment over 20 to 30 years adds up to a lot.”

That sentiment neatly sums up the attitude of many of these planners’ clients. For the middle-income investor in today’s low-return environment, holding on to that extra 1 percent a year while getting expert, unbiased financial planning help may make all the difference. ■

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Lynn Brenner is a contributor to BLOOMBERG PERSONAL FINANCE.