

## Finding the right financial planner need not be an impossible search

<http://www.signonsandiego.com/news/business/20040822-9999-1b22lynn.html>

August 22, 2004



If you're experiencing periodic chest pains, you're not going to seek help from a guy who watches "ER" every week. If you get sued, let's hope you don't consult someone whose legal training begins and ends with John Grisham's courtroom thrillers.

OK, you're thinking this is just plain silly. What kind of moron would do this? Actually, what's silly is seeking financial advice from somebody whose knowledge of money matters barely exceeds that of the average contestant on "The Price is Right." Unfortunately, many financial advisers come way too close to fitting this description.

The reason is simple. The hurdle you must leap to become a financial adviser looks more like an unlocked front door with the key dangling from it. It's far more difficult to become a manicurist in this state than it is to become a financial adviser. (Thank goodness our cuticles are well protected!) If you've got spare time to fill out some paperwork to provide your education and professional background, you can call yourself an investment adviser.

It's no wonder then that most of the investors I've heard from over the years have "professionally managed" portfolios that look like something that's been scraped off the mat after a wrestling match.

Of course, there are plenty of brilliant advisers out there, who provide sage advice and keep clients from making mistakes that are dumber than the stupidest pet trick. You just have to find them. And, of course, afford them. Oh, and they've got to want you as a client.

But here's where the news turns sunnier: There are more opportunities than ever to find reliable financial advice without feeling like you've been gouged or humiliated in the process. This is indeed a heartening development for the middle class, who haven't amassed the considerable personal wealth that will prompt the sort of financial adviser who is regularly interviewed by *The Wall Street Journal* to cancel his afternoon appointments so he can fawn over you and your portfolio.

If you're slogging through San Diego traffic every day, chances are slim that you'll really need heated leather seats, global positioning capabilities and the sort of off-road maneuverability that would allow you to fly over curbs on your way to Starbucks. Realistically, you only need four wheels, a decent radio and, with any luck, a break in the traffic. Car buyers can easily skip the undercoating, headlight wipers and other extras if they don't want them or can't afford them, but for investors looking for financial advice, there didn't used to be many choices between the sedan that was crammed with enough extras to make an automotive engineer's pulse race and a junker that even Father Joe might reject.

On the deluxe end, there's always been the fee-only investment adviser, who can put your portfolio through the rigors of a thorough physical. The planner looks at your entire financial picture, from your cash flow to your retirement aspirations, and devises an investment plan tailored for your needs, goals and risk tolerance. The relationship can continue long after the plan is completed. You typically pay the planner a percentage of your assets to oversee your money and make changes to your holdings when needed. You will often see a planner charging 1 percent for maintaining a portfolio. So if you've got \$1 million in investable assets, you'd pay \$10,000 for the year. If you've got even more cash, you should get a price break.

On the other extreme, you can easily find somebody – it could be your old college roommate, your gardener's kid or a friend of a friend of your ex – who will sell you a heap of mutual funds with sales loads and other commissioned products. (Or more realistically, these folks will find you.) Whether you get any sort of worthwhile comprehensive financial plan with your investments is an open question.

Going this route can be easy to swallow because people assume that they aren't paying the broker, insurance agent or commissioned planner anything. There's no invoice. Heck, there's no check to write. But you pay through sales commissions and higher expenses for mutual funds, variable annuities and other products. If you don't look at the fine print, you'd never know. And as long as you hold onto these investment, you can get stuck with these high charges – to pay for the advice – even if you never again see the guy who sold you this stuff. Imagine continuing to pay for a haircut 10 years after the barber trimmed your hair. I wouldn't want to do it.

For investors with a lot of money or complicated finances, sticking with a fee-only adviser is an excellent way to proceed, but not everybody has the bucks to choose this route. A planner can only take on so many clients and if it's a choice between somebody with \$500,000 in assets and \$50,000, guess who is never going to cross the welcome mat? Some planners just won't take clients if they don't have investable assets that reach into the six or even seven figures. And as investment advisers become more successful, they tend to raise their minimum investments.

The commissioned crowd has always argued that their way is ideal for the little guy because there's no big upfront bill. But I'd argue that's no longer true – if it ever was. An increasing number of fee-only planners are now charging by the hour. You can seek advice from one of these hourly planners, if you want to find out, for example, what's the best way to save for college, whether you should refinance to a 15-year mortgage or if you've got enough cash to retire. Two firms, The Garrett Planning Network and the Alliance of Cambridge Advisors, provide access to fee-only planners across the country, including San Diego, who can charge by the hour.

Another encouraging development is the entrance of low-cost mutual fund and discount brokerage firms into the advice biz. Vanguard, T. Rowe Price and Charles Schwab offer financial-planning services that can cost as little as \$500. These planners can devise a portfolio for you that's constructed with low-cost mutual funds that don't charge commissions. T. Rowe Price, for example, offers an excellent service that's geared toward people who want to know how to structure their nest egg when they retire. Pay-as-you-go advice makes a lot of sense for an awful lot of people.

---

■Lynn O'Shaughnessy is the author of "The Retirement Bible" and "The Investing Bible." She can be reached at [LynnOShaughnessey@cox.net](mailto:LynnOShaughnessey@cox.net).