

PERSONAL TIME / YOUR MONEY

Planner, You Are Outta Here!

Did your financial adviser fail you? Here's how to know — and some new ways to hire a replacement

By [JEAN CHATZKY](#)

Instead of just throwing in the towel — a real possibility with the kind of year investors have had — more Americans than ever are seeking professional financial advice. A leading trade group, the Financial Planning Association, has seen double-digit growth in the number of people asking about planners on its website ([fpanet.org](#)). Inquiries to the National Association of Personal Financial Advisors ([napfa.org](#)) have doubled since 1999.

That's good — we could all use smart advice — but I'd bet that many of those people are looking to replace an adviser they feel has let them down in the bear market of the past three years. If this describes you, be sure that you aren't blaming your adviser for conditions beyond her control. How do you know whether to hit the eject button on your adviser? Securities attorney Dan Solin, author of the new book *Does Your Broker Owe You Money?*, notes that a good adviser should have limited your risk by keeping your investments diversified. A typical portfolio of 25% bonds and 75% stocks (spread among large-cap, mid-cap and small-cap companies in various industries) is down about 12% since the beginning of 2001. If yours is down much more, that's a red flag.

Your adviser should have stuck to the risk profile you provided when you hired him, whether aggressive or conservative. And the timing of your goals should have been considered; tuition money needed over the next five years should not have been held in stocks. If your adviser didn't pass these tests during the bull market of the '90s and the recent bear market, you've got reason to take your business elsewhere.

Switching planners or brokers is simple; generally a new firm gives you papers to direct an old firm to make the transfer. (Of course, you could use a new broker or adviser at your old firm.) It's a little more complex if you've granted your adviser discretionary power: the right to trade your assets without your case-by-case permission. In that situation, send a letter (certified, return receipt) stating your wishes to your existing adviser. On delivery, the discretionary power ends.

Whether you are replacing an adviser or hiring one for the first time, one aspect to consider is how you will pay. Until recently there were four basic options. Commission-

based brokers offer varying levels of advice and collect sales charges when you buy or sell. Fee-based planners charge once for a comprehensive plan, then earn trading commissions. Fee-only planners don't earn commissions; they charge for a comprehensive plan that you then implement. And wealth managers charge a percentage of assets under management (typically 1% or less per year) to strategize for you. Some advisers blur these distinctions.

Unfortunately, three of these options are unaffordable to many investors. Fee-based and fee-only advisers typically charge from \$1,000 for a basic plan to \$5,000 for one delving deeply into tax and estate issues. Many wealth managers won't take clients with less than \$1 million to hand over. That leaves brokers, who may be competent and honest but face a conflict of interest because they're paid to trade.

Many planners, however, have started offering to charge by the hour. Others are more willing to craft one-time financial plans. Still others have slashed management fees and account minimums for performing the simpler work of asset allocation, rather than picking specific investments. These new ways of paying are well suited to investors who are willing to do some of the work themselves or who need advice only on a specific problem.

Sheryl Garrett, who runs the Garrett Planning Network of 115 planners headquartered in Shawnee, Kans. (garrettplanningnetwork.com), is a leader in this trend. Her company operates like a law firm, billing \$100 to \$200 an hour depending on the planner's locale and experience. Steven Evanson, a wealth manager in Monterey, Calif., charges an annual percentage of not more than 0.2% of assets. But he's very specific about what he does not do for the price: "I don't cover estate, tax or insurance planning. I feel those are the province of specialists."

Whomever you choose, insist that your planner sign an agreement to assume fiduciary responsibility where you are concerned. That means your interests come first — precisely as it should be.

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