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Mutual Funds & Personal Finance

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More Advisers Offer A Choice Of Plans

BY MURRAY COLEMAN
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Need help choosing mutual funds and other investments?

It's increasingly easy to hire an adviser whose service is customized to your needs.

Advisers used to offer one type of service, take it or leave it. That was usually soup-to-nuts advice. Now they also provide project-by-project guidance to investors who prefer that service, says Kirk Kinder, an adviser in Palm Harbor, Fla.

That's in response to a growing diversity in customer needs.

Seeking Help

Why investors hire advisers

Insufficient time	54%
No one willing to assume responsibility	11%
Overwhelming number of choices	9%
Insufficient money	6%
Lack of interest	5%
Lack of experience	3%
Lack of good options	1%
Other	16%

Sources: Financial Planning Association, Moss Adams LLP

"More people want a financial coach rather than full-time planner," Kinder said.

With independent online media sources like investors.com now available, you might not need as much full-time support. And most major mutual fund companies also have free self-directed Internet planning tools.

Charles Schwab, which runs its own funds and an independent supermarket of funds, identifies outside advisers who offer whichever type of service you prefer.

They're fee-only advisers. You can hire one who charges an hourly rate for help as you need it. Or you can find one who levies a set percentage of your assets under management. That's typically the arrangement when you ask someone to manage your whole portfolio.

Some 50,000 investors with $14.6 billion in assets have started to use Schwab's adviser referral system in the past three years.

"We find our customers like the flexibility in having different outside sources to turn to," said Alison Wertheim, a Schwab spokeswoman.

Of the 284,000 advisers in the U.S., some 43% made more than half their revenue from set fees rather than commissions last year, according to market researcher Cerulli Associates. That percentage is up from low single digits five years ago.

Taking The Lead

Fee-based advisers have taken the lead in giving investors a choice of service plans, says Kirby Horan, a Cerulli senior analyst.

"The retail, fee-based company geared toward the individual investor has been the bellwether in terms of innovation in advising services and strategies," Horan said.

How do you decide how much to farm out to an adviser?

One step is to decide whether you're a do-it-yourself investor.

Don't be afraid that being too interested in finances will make you a look nerdy. People won't see you that way, says a

Financial Planning Association study.

Lack of time rather than boredom was cited as the main reason most investors turn to outside help with their finances.

Also, some investors value expert input.

Those investors are often good at delegating, says Michael Joyce, an adviser in Richmond, Va.

"They're good at what they do and they want to hire someone who's objective," he said.

Choosing between a fee-only adviser and one who charges commissions involves weighing trade-offs.

A fee-only adviser can cost you upfront fees.

With a commission-based adviser, you must decide whether he is giving you objective recommendations. Why does he suggest some investments rather than others? Is it because of his commission?

"The fact is that every mode of compensation to advisers can have some sort of conflict of interest," said Joyce, past president of the National Association of Personal Financial Advisors.

The argument is that fee-only advisers are free to suggest any type of product. Commission-only pros are sometimes accused of pushing products from which they can make the highest fees. But even Joyce won't go so far as to rule out commissions.

"It might make sense for someone just starting out with just a little bit of money," he said. "You don't need that much in-depth help, and you might wind up saving a little going the commission route rather than paying a fee."

Mutual fund companies such as Vanguard and Fidelity offer low-cost, self-help services with set fee structures. "You can even go online at Vanguard's Web site and find enough information to set up a portfolio for free," said Rick Ferri, a Troy, Mich.-based adviser. "They've got interactive tools that can pretty much guide you through the process."

Don't Overpay

Ferri manages portfolios for high net-worth clients.

While the average industry fee for such complete service is 1% of assets a year, Ferri's firm charges a maximum 0.25%.

His rule of thumb is if you have less than $500,000 to invest, it's probably not worth paying a percentage-of-asset fee to an adviser on a regular basis.

"Advisers who charge 1% do it because people just don't know better," Ferri said. "They take advantage of what the market will bear. In a lot of cases, that's just too much."

Investors with higher asset levels may have more complex finances, he says. "That's where an adviser can really help," Ferri said. "But you don't want to pay for a cookie-cutter plan."

Both major trade groups, NAPFA and FPA, have search capabilities for advisers at their respective Web sites.

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