

Larger firms have crashed the planning party in a big way, and that has changed the look of our list of the top financial advisers

If you're in need of financial planning these days, you won't have to look far to find someone who wants to help. It's not just the independent planner down the street anymore: Financial institutions of every stripe, from accounting firms to brokerages to banks, have been beefing up their comprehensive-planning operations, hoping to advise you on how to generate wealth. While these larger firms are now providing excellent service to most of their clients and deserve consideration for your business, there are some caveats you should be aware of.

What brought about these inroads into what had previously been considered a practice as arcane as patent law? First, the inexorable shift from pension plans to 401(k)s has put the responsibility for retirement planning on employees, who need help with the complexities of investment and tax planning, among other things. At the same time, the laws covering the types of services banks can provide have been loosened, giving the banks greater freedom to sell different kinds of financial products.

And, of course, financial providers of all sorts have noted that the \$1.5 trillion in assets under management with independent planners has been growing at an annual compound rate of 21.4 percent for the past five years, according to the Financial Research Corporation in Boston. The larger firms want more of that money, and they figure they can get it if they advise you on all your financial needs. "By addressing the client's full range of complex financial needs," Merrill Lynch chairman David H. Komansky said in a speech last year, "we make it all the more difficult for someone else to sell a client a one-off transaction." Wells Fargo, for one, says revenue at its private bank has grown 15 percent a year over the past three years, largely because of a beefed-up financial-planning department. In terms of dollars, the bank has seen the largest growth in high-net-worth accounts, but the highest number of new accounts have been those in the \$25,000-to-\$100,000 range.

With the strides made in just the past five years by the financial-planning divisions of banks, brokerages, and other firms, we now feel they must be considered in any reckoning of where people can go for comprehensive planning. With that in mind, we have changed the way we've selected our list of the nation's best financial advisers to more accurately reflect the nature of the financial-planning community. So on this year's list, you will see many more representatives from financial behemoths like Bank of America and American Express, even though that meant we had to leave off many terrific planners from smaller firms.

The problem now is, rather than just selecting an adviser, you have to also ask yourself what kind of employer you want that adviser to have. A brokerage? A tax firm? A private bank? Or should you go with an independent planner?

The answers aren't very clear-cut. "This is not a science by any stretch of the imagination," says Stephen Barnes of Barnes Investment Advisory, a Phoenix-based certified financial planner. "This is a very squishy world. I don't think the size or brand recognition of the company has much to do with the quality of the advice from the advisers."

But it may have something to do with the willingness of the company to work with you. KPMG looks specifically for business owners, in hopes of getting their business accounting as well. It doesn't set a threshold dollar figure, but instead looks for businesses with growth potential. Bank of America does set a minimum for investors in its private bank--\$1 million or more to invest. Also keep in mind that the size of the firm does not determine the complement of services. KPMG will handle your taxes and complex issues dealing with passing on wealth and the survival of family businesses, but it won't manage your stock or mutual-fund portfolio. Many independent planners will.

Wells Fargo says that each of its planners handles all facets of financial management rather than having to consult separate departments--tax, investment, and so on--whose advice may not take in the whole picture. "We run under one umbrella," said Dennis Mooradian, president of Wells Fargo's private client services.

Solo planners by and large operate in the same way. "If you do something to one part of the money picture, it has an effect elsewhere," says Kevin Condon, a certified financial planner in Ellicott City, Maryland. Instead of having an investment specialist setting off capital gains that a tax strategist would advise against or an estate planner would forswear, a single person generally takes everything into account.

Brokerages and many other would-be plan providers come with a built-in conflict. If their advisers recommend a fund their firm manages, is it because the fund is the best in its class, or because they want to get your money into their products? On the one hand, Merrill Lynch, under pressure from the Securities and Exchange Commission, was instrumental in eliminating the practice of paying brokers higher commissions for selling the firm's own products, but half of Merrill's clients are still invested in Merrill mutual funds. And Wells Fargo's private bank is proud to put 50 percent of new-client assets into its own mutual funds.

Is that really the best place for all that money? Individual planners like to pose that question--especially fee-only planners, who take no commission or brokerage fees. Clients should screen potential planners using three criteria, says Gary Schatsky, chairman of the National Association of Personal Financial Advisors, the association for fee-only planners. The criteria are competency, comprehensiveness of planning, and a compensation plan free of conflicts. "A firm like a Merrill Lynch cannot do that," says Schatsky. "Does that mean that no one should go to a Merrill? I can't say that."

"We don't push our proprietary products," counters Wells Fargo's Mooradian. "When we are good, we recommend our own, and when we aren't, we recommend an outside manager."

So how do you pick a planner? Ask a lot of questions. Ask to see sample plans. If a company has proprietary products, does it offer the products or services of other companies, too? If so, at what charge? Request a form called the ADV, which includes information about the adviser's form of compensation as well as any regulatory problems that may have cropped up and other legal issues. If they won't share it with you, forget them. And perhaps just as important is the issue of chemistry. "You can draw the continuum from the highly qualified adviser with whom you don't quite click to the less qualified that you can click with," says Barnes. "With the one you are more comfortable with, you are more likely to implement the plan."

Our list shows the average net worth of each planner's clients, to give you a rough idea of which planner might be best for the size of your portfolio. You should make sure the planner is comfortable with your level of wealth. But don't be scared away if his or her average exceeds your investable assets; many advisers waive their minimums for people who are in the early stages of building their wealth but show promise of becoming high-net-worth individuals.

Finally, be sure to check credentials, even at the larger firms, which often hire MBAs in lieu of people with planning-specific degrees. "Our planners have very solid credentials: attorney, CPA, chartered financial analysts, chartered life underwriters," says Kathleen Brown, a president of Bank of America's private bank. A certified financial planner must pass a ten-hour exam in comprehensive planning and agree to abide by a code of ethics; CFAs are primarily money managers, and CLUs specialize in insurance.

But even then, be careful: Not all credentials are equal. The board that certifies CFPs is now creating a much less rigorous designation called associate CFP--sometimes derisively called "CFP Lite." Like Barnes says, it's a squishy world.

Crystal Balls

A good financial plan should be based on long-range strategies--and not, of course, on market timing. But that doesn't mean a financial adviser shouldn't know what's going on in the real world. Having assembled 250 of the best, we couldn't resist asking them about the economy and the markets. Our questions ranged from the ephemeral ("When will the Dow reach 20,000?") to the nitty-gritty ("Do you expect interest rates to rise, decline, or stay the same over the next two years?") and provided a sense of what the experts think the future holds.

"We do not do any economic or market forecasting. However, our clients expect us to be conversant with market conditions, and we

sometimes feel compelled to make guesses. It is in this spirit that we are answering your questions."

--Richard Stone, San Rafael, California

Internet Stocks

Nearly 90 percent of our advisers said that these equities as a group were either overvalued by the market (54 percent) or grossly overvalued (35 percent). About 6 percent felt that the category was valued about right, while only 4 percent found them undervalued.

"Internet stocks are not valued at all; they're worshiped."

--Barbara Bruser, Los Angeles

"The Internet is like a tidal wave carrying hundreds of surfboarders, some of which are going to crash, others of which will ride the wave successfully. As an investor, you are better off investing in the wave and not in the surfboarders."

--Eleanor Blayney, McLean, Virginia

U.S. vs. Global

We asked our advisers whether domestic or international stocks are more likely to be the strong performers over the next ten years; the answer came back loud and clear. Citing lower valuations, growth potential, and recent underperformance, 79 percent of our advisers recommended increasing the international portion of an investor's portfolio.

"The U.S. has been on a tremendous run of good luck, with a strong domestic economy, while Europe has had to deal with East Germany and the war in Kosovo, Japan a long financial crisis, and the Far East has battled devalued currencies."

--William Baldwin, Lexington, Massachusetts

Dow 20,000

Predictions on when the Dow will reach 20,000 ranged from 2002 (2 percent of respondents) to 2010 (6 percent), but the most common answer was 2006 (24 percent).

"I project large-cap stocks to increase at about 11 percent per year. Hence, I expect the Dow to reach 20,000 in 2006."

--Joel Ticknor, Reston, Virginia

Interest Rates

There was little agreement on what direction interest rates will take in the next two years: A plurality (44 percent) suggested that rates will stay about the same, with 33 percent expecting a rise and 23 percent expecting a decline.

"Although we think that interest rates are low historically, that only compares back to the last 30 years with such unusual experiences as the Vietnam War and the oil embargo."

--Robert Glovsky, Boston

Hawaii (Only Advisor in Hawaii)

Name	Kasanow, Harry
Designations	CFP
Firm	Kasanow & Associates: Wealth Management
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Avg. Client Net Worth	\$1.5 million
Specialty	Retirement Planning Tax-efficient Investing Small Business Planning