

Introducing the Worth 300: Our annual list of America's outstanding financial advisers.

Choosing 300 financial planners is a daunting, labor-intensive task that we wouldn't wish on anyone. Fortunately, you don't need 300 advisers to help you with your personal finances. Our selection process in putting together this third annual list of America's cream of the crop relied on techniques that you can use to find a financial planner on your own. In many ways, it's not much different from the process you would go through if you were hiring an employee. We think it's important, in fact, to keep in mind that you are the boss. The adviser may have a particular expertise, but you're the one in charge at all times.

We began our selection process this year by asking every person we know whom he or she would recommend as a financial planner. We mean this literally—we posted a notice in the magazine asking readers for nominations. We also turned to the experts: trade organizations such as the International Association for Financial Planning and the National Association of Personal Financial Advisors, as well as advisers who made our list in years past. If a recommendation came from a professional at a rival firm, we gave it more weight than one from somebody at the same firm.

Also, for the first time, we accepted nominations from planners wishing to throw their own hats into the ring. We looked at these as you might the unsolicited brochures that occasionally show up in your mailbox: We were far more skeptical than we would have been had a trusted friend recommended them, but we still gave them all due consideration. As long as they could show us they were among the best in the business, we saw no reason to impose a penalty for self-promotion.

This harvest of nominations yielded a large universe of names. Each nominee was asked to fill out a six-page questionnaire detailing his or her personal and professional background and credentials, the size and scope of his or her practice, and the way he or she gets paid. We asked for both personal and professional references. You should feel justified in making similar demands of any planner you're considering, but it's also important not to give even these testimonials too much significance.

Among the questions we asked our candidates was how long they had been in practice. We preferred to see ten years' worth of experience, but an otherwise outstanding planner who had been practicing since only, say, 1990 could still make our final list. We also made sure the planners carried professional liability insurance. Most of our applicants keep around \$1 million in coverage. To us, this is merely a sign of prudent business practice—one that helps us sleep a little easier.

Another important question for the planners: Have you ever been a defendant in a lawsuit? If so, what was the outcome? We checked with the Lexis legal database and court records, but since lawsuits are a matter of public record, a planner should be willing to divulge this information without your having to research it. (We eliminated

those planners who failed to list lawsuits they had faced.) Financial planners deal with a fair number of nuisance suits, and trivial proceedings that are quickly dropped with no judgment against the planner needn't carry much importance. Clients have been known to insist on risky investments, only to cry foul when the value of their holdings plummets. But if an adviser has paid a hefty judgment, or if there have been several serious suits, we'd steer clear.

In one case, we discovered what appeared to be a fairly damaging lawsuit in which a planner was charged with buying an annuity—a long-term investment in which an up-front payment is converted into an annual payout for the rest of the purchaser's life—for someone who had just sold his business. The client turned out to have terminal heart disease, and the annuity ended up being a very poor decision. We were all set to remove this planner from our list, but we wanted to hear his side of the story. He explained that the family was satisfied with all the decisions he had made, although one of the late father's sons, who hadn't been involved at all with the original financial plans, made the decision to sue. We contacted the son who was involved in the original plans, and he said the planner acted with utmost integrity and deserved to be recognized as outstanding in his field. We kept him on the list.

We also asked about fee structures. We've always favored fee-only planners, who make their money from the direct billing of clients rather than from commissions on such things as insurance policies and mutual funds. Fee-only planners accept either an up-front lump-sum fee or a percentage of the assets under management. We believe this is the best way to ensure that the planner avoids any potential conflicts when recommending financial products. Seventy-two percent of the professionals on our list are fee-only planners.

At the same time, we do recognize that there are excellent, unbiased planners who accept commissions. We asked each planner who accepts commissions if he or she would tell clients the source and amount of any commission received from the products sold. We dropped any adviser unwilling to make this disclosure. We also asked for sample contracts and plans from each nominee. A planner's contract should be straightforward and the fees clearly explained. We suggest you check to see if any disputes will be taken to private arbitration instead of court; that's often specified in the contract, and arbitration will limit damage awards.

The heart of the adviser's work is contained in the sample plans. We didn't put too much stock in flashy packaging: Anyone can use a color copier. We wanted to see if the planner had listened carefully to the client's needs and responded appropriately. Each plan listed the client's goals; if the goal listed was "wealth accumulation" or something similar, that wasn't good enough. Even if a client's sole ambition is wealth accumulation, it's the planner's job to help identify what else needs to be done to ensure the client's security. Everyone has different requirements, whether they be specific retirement-income goals, providing for future

generations, the purchase of a second home, or some combination thereof.

Does the adviser follow prudent rules of investing? Older folks should have a relatively conservative portfolio, the portfolios of younger people should be relatively aggressive, and everyone should be diversified. Also, does the adviser offer choices? Is the plan clear and easily understood? Are the recommended steps easy to follow? Are there scenarios that account for differing future rates of inflation and market returns?

On the other hand, there's no reason to be snowed by page after page of columns and figures. There might be a place for these as an addendum, but does anyone really need to know 22 scenarios for the expected cost of probate depending on the year of death? Don't let this substitute for careful analysis and suggestions.

One important thing we tried to determine, particularly with this glittering class of well-known advisers, was whether they had gotten too big to provide personal service. There's no point in recommending an adviser to a friend, only to have that adviser pass the bulk of the financial planning along to junior members of his or her firm. If we steer you toward a planner, we want that person to be the planner you see each and every time you go to the office. These, then, were the primary factors as we compiled our 1998 list of 300.

Everyone was considered on his or her merits, and even the planners who made last year's list didn't get a free pass. We double-checked all of them to make sure that no regulatory or legal problems had cropped up in the past year; we listened carefully to readers who wrote us with their opinions about specific names on the list. (If you've had an experience, good or bad, with any of the planners on our list, we'd love to hear about it.) We're proud to say that only a few advisers have fallen off our list (primarily for reasons that had to do with burgeoning caseloads or retirement).

If you wish, there are other sources of recommended financial advisers to check out. Charles Schwab (800-777-3337) has a roster of around 450 advisers who have passed Schwab's screening methods--such as having \$25 million under management and a clean disciplinary record. You must have \$100,000 to invest, however, in order to use one of the Schwab advisers, and the advisers pay Schwab an administrative fee of \$2,000 per quarter. Dalbar, a Boston-based research firm, develops a list of recommended planners every year, with 600 professionals on its current roster. But to even be considered for the Dalbar list, a planner must pay a \$500 application fee.

We neither solicit nor accept any payments or fees, with the sole exception of a gratuity that a planner sent to our office last year. It was a golf shirt. We accepted this one with good humor. Isn't it better to have a planner who gives you a shirt than one who causes you to lose yours?
Reported by Jonathan Pont, Phyllis Stinson, and Jennifer McLoughlin

Hawaii (Only Advisor in Hawaii)

Name	Kasanow, Harry
Designations	CFP
Firm	Kasanow & Associates: Wealth Management
Address	3268A Paty Drive
City	Honolulu
State	Hawaii
Zip	96822
Phone	808-988-1311
Fax	
Email	harrykhi@hawaii.rr.com
Avg. Client Net Worth	\$1.5 million
Specialty	Retirement Planning Tax-efficient Investing Small Business Planning