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Financial Planners Catch Lofty Draft in Market Tailspin

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Whether running their own firms or working for a larger firm, financial advisers were on the hot seat last fall as investors took a bath in the worst market in decades.

At the peak of the turmoil in October, even veteran advisers like Maureen Verduyn were reeling from the tailspin that decimated client portfolios.

"I was shocked with the speed at which it was happening, but not that it happened," said Verduyn, co-owner of The Financial Team in Carlsbad.

Verduyn, who has worked in the industry since 1981, said that while most clients sustained losses, only a few considered changes to their plans. Ten of her 150 clients needed to discuss their investments and make changes, fearful that they wouldn't have enough money after they retire.

It's a common reaction. "Everyone, without exception, is afraid of running out of money, no matter how much money they have," Verduyn said.

Although it was a horrible year, advisers, both small and large, said the turmoil resulted in gaining new clients.

Verduyn's firm added 36 new clients during the year. Most of her clients — three-fourths — are "pre-retirees," or those between 50 and 60 years old, she said.

The Financial Team doesn't limit its services to clients with a minimum amount of assets, but most fall within the $250,000 to $500,000 range, and the average asset size is $223,000, Verduyn said.

At the other end of the spectrum is Pete Morimoto, a senior vice president at Wells Fargo Wealth Management Group in Rancho Santa Fe, who works with folks with a minimum of $1 million in assets, most ranging from $5 million to $50 million.

Despite the upheaval, Morimoto says most of his 40 clients were satisfied with how their portfolios withstood the downturn. That's because a large portion were invested in fixed asset securities such as tax-free municipal bonds, which didn't lose as much in value as most stocks, Morimoto said.

Investment Attention

Courtney Liddy, senior financial adviser for Merrill Lynch's Global Wealth Management unit in San Diego, said most of her 125 clients weren't happy with the market crashing but were aware that making changes as things plummeted wasn't wise.

"Selling and going into cash just when the market is hitting a historic low point seems rash," said Liddy, who admitted a few needed extra hand-holding when things got bleak.

Most of Liddy's clients have average assets in excess of $1 million. Last year's market turmoil helped her and other advisers, she said.

Merrill Lynch, which agreed to be sold to Bank of America Corp. last year in a transaction prompted by last year's credit crisis, said it had $12 billion in assets under management in San Diego last year. The wealth management unit has 160 advisers in the county.

It's not only the size and heft of nationally recognized major financial firms that help attract clients. Sometimes brand names do have impact.

"To be able to say we're MetLife, we got the blimp. People recognize that," said Chris Rand, senior financial planner for Metropolitan Life Insurance's Financial Planning division in San Diego.

"If I get hit by a truck today, there will be people here that will be able to step in and help them."

MetLife's local office gained 170 new clients through November, up 20 percent from a year ago, with a good number coming from the ranks of what advisers call the "do-it-yourselfers," or those devising their own plans.

Rand says a key advantage to belonging to a much larger enterprise is having access to experts when clients have special needs or questions. While MetLife doesn't have legal experts in-house, he can assist in setting up a trust through its contacts. Although boutique firms do the same, Rand says going through a smaller firm may cost more.

On the other hand, several boutique firms say because they are independent and aren't part of a national brokerage or insurance firm, they have greater flexibility in the investment options available to their clients.

They are also less likely to steer clients into proprietary investment products, which is often the case with the larger firms, the small advisers say.

The problem with advisers at national firms is they tend to work with the products developed by these firms, and have less autonomy in selecting outside products, said Tom Warschauer, director of financial planning programs at San Diego State University's College of Business Administration.

The reason for limiting the investment options is to protect both the firm and the clients, and so these can be measured and monitored in offices across the nation, Warschauer said.

Regarding fees, differences between larger and smaller providers is hard to decipher, since it's mostly based on the size of the portfolios and extent of services provided, advisers say.

To do a plan, advisers generally charge a flat fee that can range from about $1,000 to many thousands of dollars, depending on the complexity and scope.

Once a plan is developed, another industry distinction depends on whether the services are rendered on a commission basis or through fees based on the dollar value of the assets being managed.

Conflict Of Interest Issues

Michael Fenison, founder and owner of Pure Financial Advisors in Mission Valley, said he wanted to eliminate the apparent conflict of interest issues that come with seeking financial advice. The conflict arises when advisers obtain commissions on the products they steer their clients into, he said.

Pure's advisers, all of whom are certified financial planners, do not receive commissions on products they sell, and are compensated strictly with salary and bonuses, Fenison said.

Pure also incorporates the fees for outside professional services, such as estate planning, into set management fees that can range from 1.5 percent to 0.6 percent, depending on the size of the portfolio.

Regardless of their size, advisers agree that last year's crash caused many to reassess existing plans, and many others to look for help in developing a plan for their futures.

Kent Thompson, a certified financial planner at a franchised Ameriprise Financial firm in Sabre Springs, said during what he called the "shock and awe" period in September and October, investors hunkered down, reluctant to do anything.

In the past few months, as the market has stabilized, more people are seeking professional help, Thompson said. His firm recently added four clients.

Like other advisers, Thompson says the economic turmoil won't last forever.

"What I tell my clients is that the good times never last forever, and neither do the bad times, and that we're going to get through this."
