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GETTING PERSONAL: Amid Woes, Advisers Look To Each Other

Article

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By Ian Salisbury
A DOW JONES NEWSWIRES COLUMN

NEW YORK (Dow Jones)--With 2008 raising difficult questions about the guidance offered by many financial advisers, some are turning to an overlooked resource: each other.

Last year's crash was unusual not just because of the depth of the stock market plunge but because tactics that professional investors use to balance clients' portfolios, such as buying diverse assets like corporate bonds and foreign stocks, offered so little help.

As a result, advisers "have been doing some real soul searching about the advice we give," says Steve Podnos, based in Merritt Island, Fla., adding much of the expertise he'd gleaned from years of experience and investment research went "out the window."

Advisers who are independent, having hung a shingle alone or with one or two colleagues, face a lonelier road than brokers at large Wall Street firms whose decisions are often shaped by research departments and directives from New York.

As a result, some of these, like Podnos, search for answers in "peer groups," informal clubs of their colleagues from around the country who meet to share ideas and complaints and to talk shop.

The National Association of Personal Financial Advisors, or Napfa, which helps its members join such groups, counts at least two dozen that are active, typically with up to 12 members from different cities, which helps avoid awkward competition.

To understand how financial advisers are sorting through the rubble of a disastrous 2008, Dow Jones Newswires spoke to all eight members of Podnos' peer group about how it works and what members are discussing. (In upcoming columns, we'll explore in more depth how its members are coping with difficult issues like what to tell clients about risks in the stock market and whether to make their portfolios more conservative).

Podnos, who is also a doctor, works part-time in an intensive care unit. His colleagues in the group range from lawyer to a Ph.D. in economics.

They started holding conference calls just a few months after the market hit its now-distant-seeming peak in October 2007. They meet twice a year at hotels in Chicago and Orlando where they typically arrive without their families and hole up in a conference room for several days to brainstorm and hash over problems. They also chat over phone and email, sometimes every day.

The group originally had 10 prospective members, but some balked at what the others consider a years-long commitment and the costs of making frequent trips across the country.

Still, Mike Dubis, a Madison, Wisc., adviser who did join, says the group has served as an important sounding board, helping him decide, among other things, how to trim about 15% of his office expenditures, such as spending on financial planning software and newsletter subscriptions.

"They helped me walk through the trade-offs," he says.

Dubis also saved money by teaming up with two colleagues to ask the company that provides them with financial reports for a bulk discount.

Not all ideas catch on. One suggestion that recently came up was whether it is a good time to move clients who can't afford more stock-market losses into annuities that would guarantee them a certain level of income.

Several financial advisers said that after a long back-and-forth discussion, they'd remained reluctant to implement the concept, partly because of fears about large insurers' health and partly because clients are reluctant to part with a big chunk of their life savings.

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Annuities "are not a big part of my business," says Scott Brewster, whose based in Brooklyn, N.Y. "I still like knowing about it."

(Ian Salisbury is a Getting Personal columnist who writes about personal finance; he covers topics including exchange-traded funds and separately managed accounts. He can be reached at 201-938-5219 or by email at ian.salisbury@dowjones.com.)

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