Building the Business 101: NAPFA, Our Not-So-Secret Weapon

Veena A. Kutler and Annette F. Simon | 11-02-06

This monthly series of articles describes the many steps and occasional missteps we took in building our financial advisory business, Mosaic Wealth Management. Mosaic is a fee-only comprehensive financial planning and investment management firm located in Bethesda, Md., a suburb of Washington, D.C. At this writing, we have about $50 million under advisement, 40-plus clients, two employees, an 1,100-square-foot office suite in a Grade A building, and the two of us--Annette and Veena--the principals and equal owners of the firm.

We're writing this article just hours after the end of the NAPFA Northeast/Mid-Atlantic Regional Conference, which was held in our hometown of Bethesda, Md. As always after a NAPFA conference, we're brimming with great ideas, feeling recharged, and eager to implement the best of what we've learned in our practice.

We've alluded in the past to our affiliation with NAPFA and how important it has been in the growth and development of our business. We're taking this opportunity to elaborate on that topic, to dispel some common misconceptions about NAPFA, and to encourage qualified planners who might be hesitant to take the plunge and join this wonderful organization.

What Have We Gotten from NAPFA?
In short, not what we expected, but so much more than we could have imagined.

Annette joined NAPFA in 1996, while the ink on her CFP certificate was barely dry. Her primary reason for joining was the consumer referrals, which looked very enticing to someone launching a new practice with no financial-planning experience. She began attending the monthly meetings of the Washington, D.C., area NAPFA Study Group and quickly found a few established practitioners who were interested in hiring her on a project basis and willing to refer smaller clients to her nascent planning-only practice.

In the spring of 1997, Annette attended her first NAPFA National Conference and was immediately hooked on the conference experience. The quality of the educational sessions and the level of interaction among attendees was exceptional. But the real value came in the networking that went on between sessions. Although NAPFA members range from solo practitioners to planners in firms with 20 or more employees, they share a passion for excellence. Members share a commitment to keeping up with best practices and giving their clients, from newlyweds starting from...
scratch to the beneficiaries of massive family wealth, exceptional value for the fees they pay.

Overwhelmed by the talent of her newfound colleagues, and their generosity toward her, Annette soon became active in NAPFA's leadership at the study group, regional, and eventually national level. Her three-year term on the National Board of Directors ended in August.

Veena joined NAPFA soon after launching her practice in 2000. She, too, joined for the referrals and began attending local study group events. One of these was a three-hour workshop on employee stock options led by Annette. Soon after this session, we had our first lunch and began exploring the possibility of working together. So the list of what each of us has gotten from NAPFA includes a partner we value, trust, and respect!

Veena is also a dedicated NAPFA volunteer and gave back to the organization by running the local study group for several years.

Ironically, between the two of us, we've only had one client from the NAPFA referral network, but that client is an excellent one and a good fit for our practice. Several NAPFA planners have told us that they have built their entire practice from NAPFA referrals, while others like us find that most referrals are not a fit. However, most members agree that the benefits of belonging to the organization go far beyond the lure of the referrals.

**Why Isn't Every Fee-Only Planner a NAPFA Member?**

We've asked ourselves why, if there are truly 5,000 or more fee-only advisors practicing in the United States, are only 1,100 or so of them NAPFA members. We believe every one of them (even those with large, thriving practices) has much to gain. The most important benefits of membership include:

**Conferences**

NAPFA puts on one national conference and two or more regionally hosted conferences each year that are open to members and non-members. Additionally, it has created a two-day basic training program that introduces new planners to financial planning and takes them through the development of a comprehensive financial plan. While these programs are available to non-members, members pay significantly less to attend. The fee reduction from attending just two conferences a year covers most of the cost of membership.

In addition to these open conferences, NAPFA produces the Advanced Planners' Conference each year typically held at a luxury, four-star-quality hotel or resort in a desirable vacation locale. The 2006 and 2007 conferences have both been dedicated to the challenges faced by large and growing firms. These conferences are limited to members only and enrollment is capped to allow for more intimacy and interaction between the attendees. Bob Veres, in his widely read Inside Information newsletter, said this about the 2006 Advanced Planners' Conference: "Give NAPFA credit for
creating what may be the very best practice management conference in the profession’s short history.”

We attended that conference and agree the ideas and inspiration gathered from not only the presentations but one-on-one conversations with legends of the business were invaluable.

A Better Business Model
NAPFA members are zealous about client service and doing the right thing, but it isn’t altruism alone that drives them to practice as fiduciary, fee-only advisors. A survey of NAPFA advisors conducted by Moss Adams in 2005 found that at every level (solo practitioners and the owners small and larger firms) experienced NAPFA members are making as much as or more than other advisors in the industry. Turns out you can do well by doing good!

Industry Leadership
NAPFA may represent a small segment of the financial advisory business, but during the past 23-plus years, the organization has successfully built a reputation as the leading source for objective, expert advice in the area of personal financial planning. The success of the association’s consumer referral program (more than 50,000 consumer referrals in 2005) and its popularity as a source for the consumer and financial press (roughly 300 press requests so far this year) are both evidence of this assertion. In both areas, NAPFA’s per member figures are by far the highest in the industry.

Of course, there are membership requirements, and not every advisor can join NAPFA, but the barriers to entry have been exaggerated over the years. Here’s the lowdown:

- Bachelor’s degree
- CFP or 30 hours of advanced coursework.
- Fee-only practice (no commissions, referral fees, or trails allowed).
- The offer of comprehensive planning services although not every engagement need be comprehensive.
- Three years of planning experience (provisional membership is available to advisors who meet all but this requirement).
- Submission of a comprehensive financial plan that is reviewed by an experienced NAPFA member.

There are two reasons that fee-only advisors commonly cite as their reason for not joining NAPFA. First, many advisors do not offer planning services and provide asset management only. Second, they complain that the plan submission is too onerous a requirement. Certainly, if an advisor doesn’t provide or supervise financial planning services, then NAPFA is not a fit. But fear of the plan submission is usually unnecessary. NAPFA provides clear guidance on what the plan needs to cover, and the plan reviewers are fair, decent, and approachable. Their goal is for good planners to qualify for membership, not to trip them up and keep them out.
We'd encourage you to visit the NAPFA site, check out your local NAPFA study group, and plan to attend the next open conference: NAPFA National in Chicago this spring. You may just find a new professional home.

Next month, we will describe the first year of our process for a new client. This is the most data and meeting intensive year for our clients and the process is one that we have spent much time crafting and evolving over the years.

Get practice-building tips and information from our team of experts delivered to your e-mailbox every Thursday. Sign up for our free Practice Builder e-newsletter.

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