Dear Committee,

I have been practicing in the fee only part of the financial planning industry since 1994. Since 1999, I have been an owner in a firm that practices fee only financial planning. Fee only financial planning was my chose career after graduating from college in 1994.

Over the years, I have seen how the compensation structures of my commission-based and fee-based competitors have influenced the advice provided to clients that follow their advisors from one firm to another.

I work with a family who is very loyal to their investment advisor, currently employed by Merrill Lynch. Prior to joining Merrill Lynch last year, the particular advisor I am speaking of was employed by UBS, Morgan Stanley, and Credit Suisse, all since the time my partner and I founded our current firm. That's an average tenure of about 3 years with each firm, about the amount of time it takes to vest in the payouts received from the recruiting firms. Each time a change was made, I sat through presentations by the investment advisor in which he espoused how moving to the new firm was going to provide him with more and better alternatives to our mutual client. In our case, we use this investment advisor in a very limited role, minimizing the investment options he is allowed to implement on behalf of the family.

While we do not believe that the family we are working with has been harmed in these transitions, we have had to "negotiate" new pricing structures each time a change has been made. My guess is that other clients that don't have a fee only firm like ours involved in their planning wouldn't be experienced enough to know the right questions to ask or the proper due diligence to perform when transitions like this occur. The transitions we have seen often involve certain minimum amounts of assets that have to transfer to the new firm or certain minimum amounts of revenue attached to asset transfers in order for the incentive payouts to fully vest for the broker/investment advisor. I have a hard time understanding how this can be beneficial for the client, particularly when it happens repeatedly.

It doesn't seem to be asking too much to require that an investment advisor disclose to his or her clients how they are being compensated if part of their advisor's compensation is determined by whether or not the client moves their investment assets to the advisor's new firm. Clients should be allowed to be in a position to ask the appropriate questions of their advisors anytime, especially if their advisor changes firms.

Thank you for your time.

Sincerely,

Troy E. Bute
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