

More Financial Advisers See Strength in Numbers

Independent advisers are making alliances and forming networks in order to compete.

By DAN BROWNING, *Star Tribune*

Kevin O'Connor finds himself in the vanguard of big changes in Minnesota's financial services industry.

Independent financial advisers like him are joining forces to make their operations more efficient, creating new networks that compete with old-line investment houses, including those tainted by Wall Street excesses.

Some money managers also are fleeing large brokerages. By affiliating with the new financial-planning groups, these experienced advisers gain independence without needing to manage every detail of their business, such as finance, accounting and compliance.

O'Connor, a 58-year-old certified public accountant from Plymouth who founded Trusted Financial Partners in 1998, affiliated with Adam Smith Family Cos., a division of the Minneapolis-based investment banking firm Cherry Tree. It's among the new breed of financial services organizations expanding in the state.

"We think we are very well positioned to pick up unhappy clients and advisers who are sick of the 'old Wall Street' way of doing business and are looking for a new, clean, transparent, fee-only way of investing and wealth management," Keith Tufte, chief investment officer for Adam Smith, said in an e-mail. "Our goal is to grow quite dramatically."

Tufte said the rout on Wall Street and headlines about executive bonuses have made investors nervous. Some are turning to independent Registered Investment Advisers, or RIAs, who have a fiduciary responsibility to their clients. Cherry Tree and other RIAs charge a fee for advice.

'Liberated' to Serve Clients

O'Connor said when he signed on with Adam Smith, he felt "liberated from the parts of the business that I didn't really like" because the company handles administrative work such as regulatory compliance. "[Y]ou've got to get it done right, but it's not nearly as much fun as talking to your customers," said O'Connor, who has a son and a daughter working with him.

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TWO KINDS OF MONEY MANAGERS

Stock broker/adviser

- Earnings based on commissions/fees.
- Investments must be suitable, but not necessarily in a client's best interest.
- Advice may be biased in favor of the firm because of commissions and other pressures.
- Typically has a sales background.
- Portfolio may stress stocks, trading, hot topics, new offerings, small caps, proprietary products.

Independent investment adviser

- Earnings based on fees to client.
- Has a fiduciary duty to act in the client's best interest.
- No conflicts of interest.
- Typically comes from finance, analysis, investment management fields.
- Portfolio stresses diversification, asset allocation, risk controls, long-term, low-cost products.

Keith Tufte, chief investment officer, Adam Smith Cos.

ADAM SMITH FAMILY ADVISORS

We provide exceptional wealth management services to individuals and families who want to simplify their financial lives and desire financial security and peace of mind. Adam Smith Family Advisors (ASFA) employs an experienced investment team that uses modern portfolio investment techniques to help families build and maintain their net worth with strategies that are tax efficient and have low investment costs.

Adam Smith
FAMILY ADVISORS, LLC

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