Where Young Advisors Can Give and Get Advice

By Kerry Pechter *Wed, Apr 9, 2014*

"Think of the robo-advisors as high-tech, low-touch, and the high-minimum fee-only planners as low-tech, high-touch. We're high-tech, high-touch," said Alan Moore, a young planner who, with Michael Kitces, has started XYPlanningNetwork to help other young planners build practices to serve Gen X and Gen Y investors.

Michael Kitces, the 36-year-old researcher-advisor-Tweeter-blogger-pundit and ubiquitous presence on the financial advisor conference circuit, has teamed with 29-year-old Milwaukee advisor Alan Moore to create a platform where idealistic young advisors can learn how to advise and where members of Gen X and Y can find them.

The two men plan to charge fee-only advisors $375 month to use the platform, XYPlanningNetwork.com. The advisors will charge their target clients—people ages 25 to 50 without much savings yet—between $50 to $250 a month.

"We're between the online 'robo-advisors' at one extreme and the fee-only planners with $500,000 asset minimums at the other," Moore told *RIJ*. "Think of the robo-advisors as high-tech, low-touch, and the high-minimum fee-only planners as low-tech, high-touch. We're high-tech, high-touch."

Kitces (right) said he would keep his day job at Pinnacle Advisory Group, where he is a partner and director of planning research. He also writes the Nerd's Eye View blog and works as a consultant and public speaker.

Moore, the other principal in XYPlanningNetwork.com, is the founder of Serenity Financial Consulting LLC. He approached Kitces last December about starting a platform for showing young would-be advisors, particularly those who've worked at broker-dealers and didn't like the sales mentality, how to be fee-only planners.

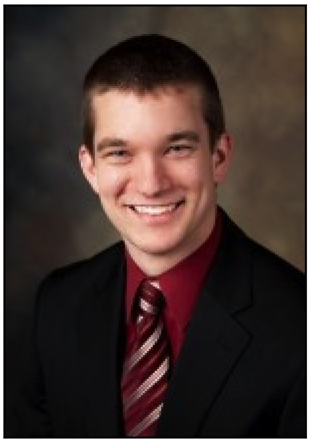
Moore met Kitces through Twitter—Kitces has a lot of followers and tweets about every 45 minutes, seemingly around the clock—and then began writing for the bi-monthly Kitces Report.

"I started my firm at age 25," said the Georgia native who lives in Milwaukee but is moving his life and virtual business to Bozeman, Montana. "But I didn't know what I was doing. It was hard to find the resources to help you start and run a firm, especially if you're a 25-year-old planner hoping to work with 25-year-old clients."

Then Moore was invited to join a Twitter group, #fphackers. "I found six young firm owners, all working with young clients, all of whom had the same problems I did. I thought, 'How many others are there like me who are worrying about compliance and marketing and what technology to buy and what it will cost to start a firm.

" Over 50 young advisors called me for advice. I called Kitces just before Christmas of last year, and I said, 'I think there's a market here.' He said, 'I think there's a market too.' It took us just three months to get this off the ground. We're going to bring on 20 advisors in the next couple of months, and hit the ground running on June 1."

An initial financial supporter, though not an equity investor, in XYPlanningNetwork.com is Low-Load Insurance Services, a provider of term life insurance that distributes in part through fee-only advisors.



The pricing model is intentionally distinct, Kitces said, from that of a company that he described as an competitor, Garrett Planning Network, whose fee-only Certified Financial Planners have primarily used an hourly planning model since the platform was launched by Kansas City, Kan., adviser Sheryl Garrett in 2000.

Though both firms represent the type of fee-only advisors who belong to NAPFA, they differ in ways other than payment model, according to Justin Nichols, the manager of operations at Garrett Planning Network. Garrett is not aimed primarily at the 25-50-year-old market and its advisors still tend to rely mainly on live interactions with clients, Nichols told *RIJ* this week.

"We work with our advisors on a virtual basis. We get down into the mechanics of building a fee-only practice. But most of the work they do with clients is face-to-face," he said. Garrett charges its 300 or so advisors a $5,000 initial fee and $200 a month thereafter. Advisors set their own hourly rates.

Both XYPlanning Network and Garrett are distinct from the so-called "robo-advisory" services that have popped up online to offer low-cost investment advice. Two of the more successful are Mint.com and Learnvest.com. Such services—and the anxiety they may be causing traditional advisors—were satirized at Joel Bruckenstein's T3 financial planning software conference in Anaheim earlier this year.

"All of our planners will be available to work with people virtually," Kitces said. "They'll reply to questions wherever people want, by smartphone or Skype. We're trying to make advice more accessible. In the past, advisors have underestimated how difficult it is for people to come to their offices for a meeting. Gen Xers can't take three hours out of their workday for an appointment."

The monthly fees that advisors pay XYPlanningNetwork will include a payment system provided by PaySimple, a customer relationship management (CRM) tool, and personal financial management dashboard tools. "We're still deciding what will be included and what will be a la carte," Kitces. The firm may also collaborate with a TAMP, or turn-key asset management program.

"This is a model that will sell itself," Moore told *RIJ*. "Gen Y consumers can hire a planner for as little as $100 a month. Who won't go for that? Most of the monthly charges will fall in a broad range between $50 and $250, starting maybe at $75 and increasing from there. A typical range would be $100 to $200 a month. We see this as a core offering for our advisors. If they want to charge by the hour or by AUM [assets under management], they can."

Moore expects recruiting advisors to be harder than recruiting clients. "Less than three percent of advisors are under the age of 30. To be 26 or 27 in this world is weird," he said. "This platform will get them all under one roof so they can learn from each other and help each other. We'll be looking toward the wirehouses for young advisers. The wirehouses' hiring methodology is to bring in 100 young people, burn out 98 of them and end up with two. We'll get some of those who got a bad taste of financial planning and show them what it has the potential to be."