

NAPFA Founders Recognized Needs

By Peg A. Downey
NAPFA Board Chair

Before the beginning of NAPFA, there was SIFA—the Society for Independent Financial Advisors—which had been meeting regularly about three times a year, three days at a time, since the late 70s. SIFA was a group kept deliberately small so that the participants could share the details of their practices. While this group did not wish to expand, they did recognize the need for another organization which would help fee-only planners get started.

At the 1982 IAFP Convention in New Orleans, Robert Underwood commandeered a room and announced a meeting for fee-only planners. About 40 folks attended and decided to hold a conference for fee-only planners. The seeds were planted.

In November, 1982, in Breckenridge, CO, the earliest NAPFA founders, Bob Underwood, Richard R. Lee, Terry Gill, Jim Schwartz, and John E. Sestina, met to plan the founding meeting. Robert E. Willard, who was later to chair the NAPFA Board, in 1989-90 and 1990-91, was an invited guest at this session. He was asked to bring his brand new IBM PC computer. Willard became so enthralled with the prospects of fee-only planning that he converted from fee-and-commission to fee-only after that meeting and never looked back.

NAPFA officially started at the first meeting which took place Feb. 19-21, 1983, in Atlanta, with about 100 people in attendance. The SIFA members already had agreed that none of them were to serve as either board members or president, but they were generous in their contributions of time and money so that NAPFA could form. Three founders names were on the letterhead of the fledgling organization. The presenters at this session were founders Lee, Underwood, Gill, Schwartz, and Sestina. Sestina and Schwartz played key roles in the early organizing efforts.

Attendees who were asked to speak at this founding meeting included Mary A. Malgoire, Gary L. Pittsford, and Michael E. Leonetti. Other attendees were Willard, Ken Rouse, Richard Whitehead, and J. Randall Hedlund.

The themes that emerged at this initial meeting will sound familiar even today: planners sharing practice ideas and growth strategies, and the organization struggling to determine the definition of fee-only and hence who would be appropriate members.

The meeting agenda was ambitious. It seemed everything a fee-only planner needed to know was discussed: fees, marketing, client contracts, plan preparation, software, insurance products, investments, fringe benefit programs, and legal and accounting needs.

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There was a memorable discussion concerning whether one could have a profitable business catering to middle-income clients. It was to take more growth of the profession before fee-only planners could come to terms with how to serve middle income individuals.

Until the next meeting scheduled for Sept. 27, 1983, NAPFA was run by a Steering Committee headed by

Hedlund. Volunteering their services on the Steering Committee were Gill, Lee, Malgoire, Gary L. Pittsford, Laura Reed, J. D. Schwartz, Sestina, Robert Straka, Underwood, Edward VanDeman, and Whitehead.

The September meeting was held in an interesting place for a financial group--Las Vegas. But it was in conjunction with the IAFP's annual conference. The attendees appointed Pittsford, who had previously been a SIFA member, but had not attended those meetings for a number of years, as the first president of the new organization. Other officers were Malgoire, Vice President for Membership and co-Conference Chair with Whitehead, who was also Treasurer; Robert Wegner, Vice President, and Robert Straka, Secretary. Also serving on the 11-member Board were: Leonetti, Barry Ross, Hedlund, Schwartz, Sestina, Calvin Shannon, and Underwood.

Initial plans were made to publish a newsletter, hold a conference, hire a part-time employee, and prohibit membership of fee and commission planners or those who owned more than five percent of any business to which they referred clients for products.

The issue of who could be a member led to heated discussion. After hours of debate, the vote was 3 to 1 for a fee-only organization. As Willard puts it, "A number of people immediately got out of the room and left and never came back. That was the first of many times the organization had to draw a line in the sand and make clear the distinction that sets NAPFA apart from the other organizations."

But still, with the confluence of so many like-minded planners, the feelings of attendees at the conference might best be captured by Lewis J. Altfest who remembers, "It was the first time I did not feel like a freak in my chosen profession."

As NAPFA's first President, Pittsford had his hands full. A men-

tion in *Kiplinger's Newsletter* generated 6,000 letters to NAPFA. Pittsford found himself running his business from his car phone for a week when all four of his office phone lines were jammed with more than 60 calls a day requesting information. Nearly every Fortune 1000 company was among those inquiring.

Pittsford also drafted the original set of NAPFA bylaws and had a local attorney do the incorporation. He paid for many of the expenses himself.

All Board members made significant contributions, financial and otherwise. In fact, the original policy was for Board members to pay all their own expenses. They met at

Sestina's office in Columbus, OH, and once almost got snowed in. (Other early NAPFA newsletters report fires at two different Board meetings and a bomb threat at one!)

The original Board tackled issues that have continually reemerged to require NAPFA's attention. For instance, there were the following questions:

1. Could there be member or associate status for those transitioning from a commission-based practice? (The answer was "no.")
2. What was the definition for fee-only planning?
3. Could there be corporate sponsors? (Again, "no.")
4. Could fee-offset planners be mem-

bers? (The vote was 3 to 1 for preserving the fee-only criteria.)

5. What would be the process for deciding who to accept for membership? (Even with the reports from the 1990-91 Membership Task Force, the current Board continues to wrestle with these issues.)
6. What about *unusual situations*? (Portfolio managers had to submit a plan in order to prove that they could do a COMPLETE financial plan. Bankers would need a letter from their supervisor saying they could recommend other than bank products. Those with less than a year's experience would be accepted provisionally.)
7. Could product sponsors be members? (Guess what--no!)
8. How to relate to the IAFP and the ICFP? (The preference was for better working relationships.)

The first annual NAPFA Conference was held June 8-10, 1984, in Washington, D.C., just before the IAFP Advanced Planners Conference. There were 96 attendees. At this first meeting, the entire second day was devoted to product speakers. There was also a press conference and news media representatives who attended were from *Money*, *Kiplinger Letter*, *US News and World Report*, *USA Today*, and *Newhouse*.

Early regional meetings were held in Malgoire's apartment, Wegner's beach house, and Peg A. Downey's home.

The July 1984 newsletter reported a total of 68 members, 40 applications pending, and 200 paid subscribers on the mailing list.

(For more early NAPFA history, see the interview with founding President Gary Pittsford and a look at NAPFA's first Press Release beginning on Page 12).

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