

NATIONAL ASSOCIATION OF PERSONAL FINANCIAL ADVISORS

THE BEGINNING OF NAPFA

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In the 1970's, there were several of us who were struggling with the idea of providing financial advice to clients on a fee-only basis. And, we were not aware of each other in those early years. When I stopped being a licensed stock broker and decided to provide advice on a fee-only basis in April of 1973, I thought I was the only person with that unique approach to compensation.

Somehow, at one of the IAFP conventions in the early 70's, I met two people who were "fee-only." I believe it was Bob Underwood and John Sestina. They introduced me to several others who also were trying to run their firms the same way. This group had their own small organization known as SIFA, and it consisted of Bob Underwood, John Sestina, J.D. Schwartz, Terry Gill and Richie Lee. Over the next several years, the number of people interested in fee-only financial consulting services continued to grow. Mary Malgoire, Mike Leonetti, Richard Whitehead, Bob Wagner, Robert Willard, and J. Randall Hedlund also became interested in getting together to talk about this innovative way of providing financial services. The number of people interested in our fee-only approach continued to grow in the late 70's and early 80's, and soon we began having small meetings and conference calls to discuss ideas.

Some of the things we discussed were what was a fair hourly rate, marketing our firms, client contracts, plan preparation, software and how to hire staff and build a profitable firm.

The loose-knit group finally grew to approximately 100 by 1983. These people were all at an IAFP convention in February 1983 in Atlanta. During the convention, word got around that Bob Underwood and John Sestina had made arrangements with the hotel where we were staying to reserve a small meeting room where we could meet. It was interesting getting all 100 people into one room to discuss establishing a new organization to help us run our companies better. We spread the word to everyone we knew at the convention about the meeting. At the meeting, we agreed that we wanted to form our own organization and a steering committee was created to help create the new organization and communicate with all of us over the next several months. The committee was headed by J. Randall Hedlund and consisted of Terry Gill, Richie Lee, Mary Malgoire, Gary L. Pittsford, Laura Reed, J. D. Schwartz, John Sestina, Robert Straka, Bob Underwood, Edward VanDeman and Richard Whitehead. There were many exceptional individuals involved at the beginning of NAPFA, and I'm sure I'll forget some names since twenty years has passed for all of us.

The main focus of this initial meeting of NAPFA members was to create an organization to help them run their financial planning practices better and share ideas to help their clients.

In September 1983, we had our second NAPFA meeting at the IAFP convention in Las Vegas. I'll never forget the headline in the newspaper: "Financial Planners Go to Las Vegas to Learn How to Make Money." At that meeting, I was elected president for the first year. Mary Malgoire was elected vice president for membership and Richard Whitehead was in charge of the next conference, as well as being elected treasurer. Robert Wagner was elected vice president and Robert Straka was elected secretary. Other board members were Mike Leonetti, Barry Ross, Randall Hedlund, J. D. Schwartz, John Sestina, Calvin Shannon and Bob Underwood.

During those early days, much time was devoted to the discussion of what types of individuals would be allowed to become members. It was decided that anyone receiving commissions could not be a member and that individuals only receiving fees from clients would be allowed membership.

It may be hard to understand, but back in 1983 in the financial planning industry the idea of charging fees was looked down upon, and there were many articles written in trade journals about why fee-only financial planning was not a good idea. We know that when there was a national IAFP conference, the fee-only people would hear comments being made about them. The important feeling that everyone had who were new members of NAPFA was that they wanted an organization where everyone thought as they did and could openly talk about their ideas and concerns with other people and in the new NAPFA newsletter.

In the 1970's and early 1980's, it was common to go to conventions for the IAFP and ICFP and hear comments about our odd way of getting compensated by clients. We would sit in classes where speakers would talk about how to sell products and how to receive commissions of 15% to 20%. These classes made most of us uneasy because we did not want to approach clients with these types of products. In those days, most of us avoided such products as whole life insurance, high-commission mutual funds and high-commission limited partnerships. Unfortunately, people who became our clients had already purchased some of these products, and we were forced to help them find products to reduce annual income taxes. Back in the 70's, income tax brackets were over 70%, and tax sheltered limited partnerships were the most popular investment. During this same time, NAPFA members discussed these types of investments frequently with one another to determine how best to analyze these investments and what types of clients they were best suited for.

NAPFA members, in the early days, wanted to talk about mutual funds that had no commissions, or very low commissions. They wanted to discuss helping clients buy life insurance products on a no-load basis. NAPFA members have always tried to find ways to reduce costs for the client whenever possible. Because of the different

approaches to clients, NAPFA members were uncomfortable at IAFP and ICFP conventions. After a few years, they chose to have their own conventions because membership had grown to the point where we could afford to have our own meetings. At the early conventions, members were delighted to be in classes where the topics fit their approach to the financial planning industry.

In 1983, after being elected as the first president of NAPFA, I worked very hard to help the organization to get started by running everything out of our offices in Indianapolis.

In 1983, I was also elected to the IAFP Board of Directors, and I accepted the position because I wanted to help our profession, as well as represent the fee-only financial planners on the board of this large organization. During this time, the IAFP had approximately 20,000 members, and NAPFA had only 200. I know that in 1987, when I served as the member service committee chairman for the IAFP, we reached 25,000 members. During the early 80's, NAPFA had only a few hundred members, but it was a strong organization, and the members were very loyal.

I will never forget attending the first board meeting of the IAFP. I was standing outside the conference room getting my first cup of coffee, and Lewis Wallensky who had been on the board for several years, came up to me and said, "You're the new guy who only charges fees?" I said, "Yes, I am." He said, "I'm not sure if you're a prophet or a dinosaur." In other words, he and others to whom he had talked were not sure if my method of compensation was a good or bad idea.

In the 80's, NAPFA struggled to be an excellent association for its members by providing advice and promoting, through the national press, a new method of compensation.

In 1984, I became chairman of NAPFA and John Sestina became president. In reviewing some of the minutes from meetings that year, I found one of my tasks was to write a letter for our NAPFA newsletter discussing the problems some were having in trying to convert from commission to fee-only. Also, much time was spent in defining what was acceptable as fee-only. Conventions were carefully orchestrated so speakers addressed topics that NAPFA members wanted to hear about. News conferences were held in the early years so NAPFA board members could discuss their organization and how it differs from other organizations in this industry.

In the 80's, all those who served as officers or board members of NAPFA worked hard to sculpture this association into the excellent association it is today. In the early years, they were under a lot of pressure to change the way the organization was run, but they held fast to their ideals. Today, after twenty years of hard work by the national staff and all volunteer officers and board members, NAPFA continues to be a strong voice in the financial industry, and I am sure it will continue its separate way of thinking, as it always has.