

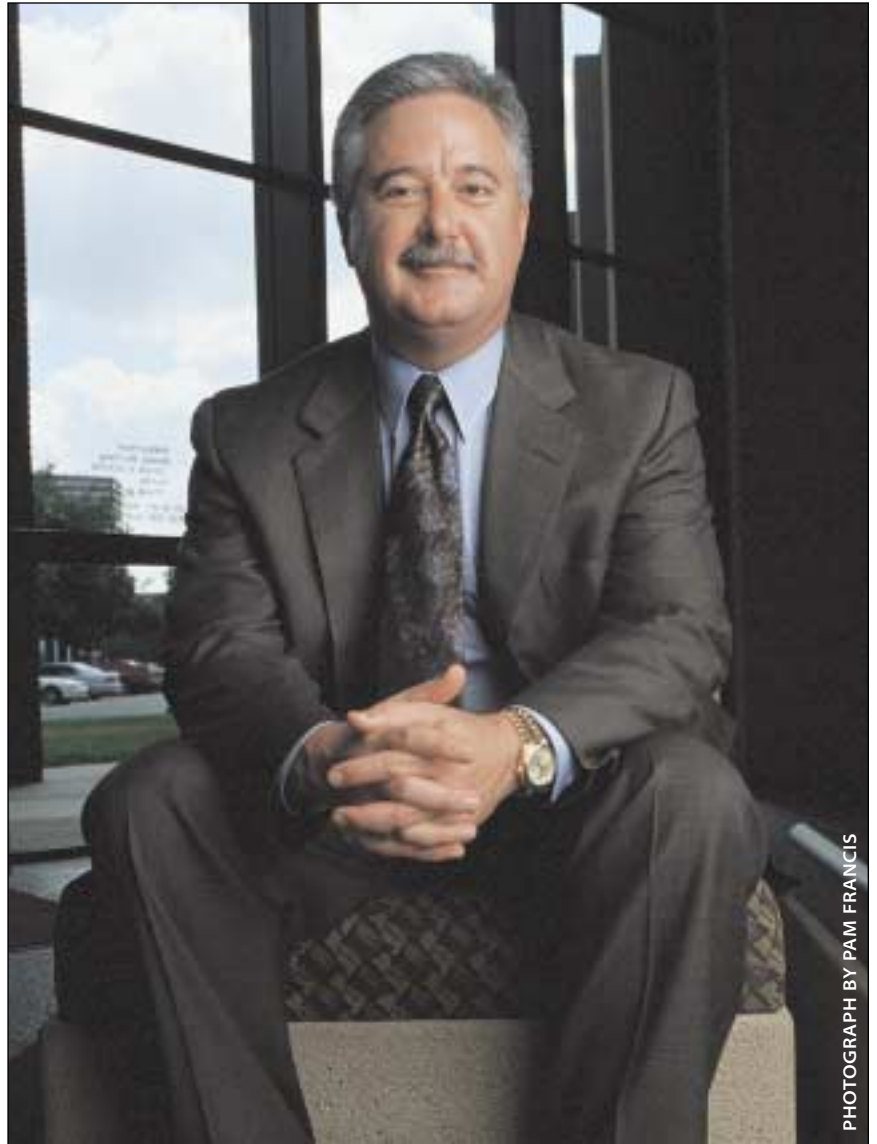
If consumers could nominate a guardian angel, surely Steven P. Kanaly

would be in the running. As chairman of the National Association of Personal Financial Advisors, a select group of fee-only planners, Kanaly is a purist whose professional standards are so stellar that even he admits, "Sometimes, I'm not sure we're not more of a religion."

Kanally, 48, is the leading voice of the fee-only movement, which is emerging as a powerful player in the independent advice channel. NAPFA's 750 members are the most extreme of the independents because they categorically do not take commissions on the investments they recommend.

Over the last few years, brokerage houses, following NAPFA's lead, began to offer fee-based retail programs and now the independent sector is making room for fee-only advisory firms [see this month's cover story]. Meantime, Kanaly has become the new darling of the consumer press because of his candid style and serve-the-client-first talking points.

In fact, Kanaly is so passionate about the group's work that he recently re-upped as chairman so that he could implement strategies designed to streamline and strength-



ON THE SIDE OF THE ANGELS

STEVEN P. KANALY'S NAPFA GROUP SEES ITSELF ANSWERING TO A HIGHER CALL, ESCHEWING ALL CONFLICTS OF INTEREST.

“WE ANTICIPATE THAT A NAPFA-REGISTERED FINANCIAL ADVISOR WILL BECOME A READILY RECOGNIZED PROFESSIONAL AFFILIATION IN OUR INDUSTRY. WE’RE NOT INTERESTED IN BEING THE BIGGEST, JUST THE BEST.”

– Steven Kanaly, National Association of Personal Financial Advisors

en the group’s message.

“We’re not just 750 different people practicing fee-only advice. We really have a calling,” says Kanaly, a certified financial planner who serves as vice chairman of the Houston-based Kanaly Trust Co., which manages \$1.8 billion in assets. “We’re so independent and that’s our strength. It’s also our weakness.”

Over the last year, NAPFA members met to discuss the future course of the organization, which formed in 1983 as an offshoot of the Society of Independent Financial Advisors. As Kanaly describes the talks: “Seven-hundred and fifty people, 750 different opinions.” Now, Kanaly is charging forward to build a unified front.

Among other things, he wants to create some economies of scale for members of the Buffalo Grove, Ill.-based organization. “We’re all fighting the same battles, yet we don’t even try to consolidate to buy paper or computers,” he notes. “I’m trying to get us together with vendors who will act as solution providers.”

In an era where the terms “fee-only” and “fee-based” have become almost interchangeable on the consumer front, Kanaly is working to differentiate NAPFA members from the rest of the pack. In March, he announced that members could identify themselves as a “NAPFA-Registered Financial Advisor,” a new designation that adheres to the highest standards of

professional training and conduct.

“For years, we’ve been out in front of the financial services industry in terms of identifying a business model that is best for consumers. As a result, insiders in our industry know what we stand for. We believe that [the designation] will help us more easily explain our principles directly to consumers,” he says. “In time, we anticipate that a NAPFA-Registered Financial Advisor will become a readily recognized professional affiliation in our industry. We’re not interested in being the biggest, just the best.”

Kanaly’s father, E. Deane Kanaly, was an early pioneer in the fee-only advice sector. He is still involved in the family firm — with 100 employees, the largest NAPFA member — as are two of the younger Kanaly’s brothers.

“We were trained in trying to help people with money since the beginning of time, starting as boys with how to build an allowance and a budget. We were always thinking about money and the proper uses of it,” Kanaly says. “I guess things haven’t changed much. My family says I spend 100 percent of my time on NAPFA. My company would say I spend 100 percent of my time on NAPFA. I have to admit they are almost right.”

As part of his platform, Kanaly is championing “deep disclosure” to their clients by advisors — not just NAPFA members but everyone across the

industry. Among the questions he believes consumers should ask: Have you ever changed your name? Have you moved in the last 10 years? Have you ever lived in a foreign country? What’s your disaster recovery program?

“Financial planning practices today are beyond the one-man, one-woman firm. They are becoming businesses as advisors hook up with CPA firms, brokerages and investment firms to joint venture the comprehensive financial planning process,” says Kanaly, who recommends that advisors present prospects with a written disclosure form that touches on everything from compensation and qualifications to conflicts of interest and personal bias. “The consumer has no way of evaluating what’s going on. Who’s good? Who’s bad? This is a way [for consumers] to weed out financial advisors who just aren’t qualified.”

Kanaly says he’s happy to see more and more advisors stepping into the independent channel. “Fee-only is not the only way. We don’t think people who earn their living by commissions are bad people. We just want them to convey the same information that we do. We must have a level playing field. There are conflicts of interest out there that won’t go away without full and ongoing disclosure,” he adds. “We’re delighted to see more and more advisors coming our way. One day, advice will just be advice. Until then, there’s lots of ways to get paid.” 