

# The Street

## IS YOUR FINANCIAL ADVISOR WORTH WHAT YOU PAY?

**By: Mark Henricks - February 1, 2016**

If you've ever wondered if your financial advisor is worth what you are paying, a new service promises to help give you that answer. GradeMyAdvisor.com aims to apply to individual investment advisors the sort of standardized performance measurement, comparison and grading system that have long been used to evaluate mutual funds.

Founder and CEO Norman Pappous says the Galveston, Texas-based startup hopes to help skilled advisors justify fees, in addition to helping investors decide whether they are getting their money's worth. Pappous says investor focus on the cost of advice is compressing advisor fees, and advisors have no objective, third-party measurement they can use to justify keeping or raising fees.

"You used to be able to get 1.5% with every account," says Pappous, who has worked as a retail investment advisor and mutual fund analyst as well as filling other roles in the financial industry. "Now people are fighting to get 0.75% or 1%. Hopefully, people who are skilled will be able to turn to their clients and say, 'I told you I was good, now can we go back to my normal fee?'"

GradeMyAdvisor runs data from a client's advisor-managed portfolio through algorithms that analyze the portfolio's risk and returns and compare it to the risk and returns that would have been realized in a low-cost index fund or ETF. Users can select from five risk levels, or set up custom risk profiles with user-selected percentages allocated to nine asset classes including cash, stocks, bonds, real estate, managed futures, commodities, metals, hedge funds and target date funds.

Based on this analysis, the advisor will receive a letter grade. A is best and D is worst. The inves-

tor will also be told whether the portfolio is taking on more risk than the benchmark set in the risk profile. Additional information will include a graph comparing the investor's portfolio to the benchmark and similar advisors and investors.

Right now, the service is in beta and uses just three months of data for evaluations, which it is providing without charge during roll-out. Pappous says the company needs three years of data for a valid ranking. Three months after the beta roll-out that began in December, GradeMyAdvisor will start charging for a portfolio monitoring service, paid by the investor. That will ultimately provide more accurate and reliable rankings as well as additional ranking information and comparisons.

GradeMyAdvisor doesn't answer all questions about advisors. For instance, investors should still refer to services such as BrokerCheck, the Financial Industry Regulatory Authority database of past broker disciplinary matters, Pappous said.

And Pappous said a bad grade shouldn't be reason to fire an advisor or pull money out of an actively managed portfolio. Rather, he said, users should show the findings to the advisor, make sure the right risk profile is being used and discuss what changes could be made.

If improvement isn't satisfactory, Pappous said, the investor should evaluate the subjective elements of the relationship to see if it's worth continuing. "We are not anti-advisor," he says. "If anything we're pro-advisor. We say a skilled financial advisor is the best asset in your portfolio."

Dolph Janis, founder of Clear Income Strategies Group, a Charlotte, N.C. retirement planning company, said there is a definite need for an objective performance evaluation service. "I think it's a fantastic thing," he says. "It allows people

to do more research and that's what they need to do."

Even with standardized third-party data-driven rankings, Janis says there will still be a role for subjective evaluations. He suggests people ask how often and when an advisor calls, whether and to what extent advisors are involved in their communities and even what they're posting on social media. "If you are on social media and see stuff where the guy's out in a bar drinking, is this the kind of guy you want watching over your future?" Janis asks.

Pappous said when he showed the concept at a recent gathering of the National Association of Active Investment Managers, the reception was enthusiastic. He envisions a grading system as being a way for independent advisors with more skill than name recognition to counter marketing campaigns by large Wall Street firms.

Within a year, Pappous says, he hopes to expand the grading system to investment advisor firms, including the big names. He's already begun some preliminary analysis. "It is pretty interesting to see how some of the data is coming back," Pappous says. "There are definitely firms out there that provide value and there are definitely firms that have some improving to do."



Randall "Dolph" Janis, founder and owner of Clear Income Strategies Group, has been in the retirement services industry for more than 11 years, building a strong network of satisfied clients in Charlotte, N.C. and surrounding areas. Dolph's goal is to provide fulfillment for the visions, hopes and dreams from baby boomers to seniors by providing common sense solutions for their retirement needs.

To contact Dolph call (704) 919-0149 or visit [www.clearincomeforlife.com](http://www.clearincomeforlife.com).

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