

## Profit sharing by Cliff Pletschet

Would you rather pay a broker a varying commission to buy and sell individual stocks, bonds and mutual funds, or pay a percentage of your portfolio value each year to have the broker manage your investments?

This is no longer a hypothetical question, but a clear statement of choices available today, and more and more investors are opting for fee-based money management because it simplifies the broker/client relationship and ends conflicts of interest associated with the ongoing trading of securities.

Simply put, the more the clients profits, the more the money manager makes. It's not yet safe to say that the traditional commission-based brokerage business is crumbling in favor of fee-based money management, but it's headed in that direction.

There are already a large number of money managers to choose from. Many brokerage firms now offer the service. Banks are getting in on the act. Independent money managers are growing in numbers and flourishing.

In picking that money manager, consider honesty, experience and performance. Also, you need to know the annual fee charged. The way the industry is growing and the way fees are coming down, it's hard to justify an annual fee of more than 1 percent of portfolio value.

A sticking point for many investors is that hardly any money manager will take a client without at least \$250,000 to invest. But it could be argued that people with \$250,000 or more probably need money management more than those owning smaller assets.

Brokers and banks are easy to find, but independent managers are not. To solve this problem, Charles Schwab & Co., the San Francisco-based nation's largest discount broker, offers AdvisorNetwork. Call (800) 777-3337 for the names of one to three independent managers

in your area that meet your objectives.

Each recommended manager has at least five years of experience, as least \$25 million under management, and is properly licensed and cleared through the Securities and Exchange Commission.

Though most put clients into mutual funds bought through Schwab, Schwab doesn't track performance results. You have to find that out on your own.

A common misconception is that Schwab itself manages money. When that word got out last year, many of the money managers holding \$90 billion in securities bought through Schwab became upset. "We don't recommend any investments or manage money," Schwab spokesman Tom Taggart said.

One commonly recommended independent money management firm that has held its annual fee to 1 percent and its minimum entry of \$500,000 is **Main Street Research** in Sausalito, (800) 357-3863.

Indeed, there are some money managers new on the scene who don't yet have sufficient portfolio assets to qualify for AdvisorNetwork, but which may have something to offer. One is 6-months-old Baker Investment Partners in Menlo Park, (415) 233-0802. It charges 1 percent annually, and partner Thomas A. Baker, who expects to have \$5 million under management by the end of the year, says he may take an account as little as \$50,000 if the client is serious about growth and is not spending down.

Baker said the advantage of an independent manager over a brokerage or bank is that clients are more likely to be dealing directly with the person managing their money. "It's not some portfolio created by a third party off in Boston or somewhere," he said.

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