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Advisers Bend Fee Rules As Labor Pains Linger

Dealing with jobless clients who are less able to afford advice.

By DAISY MAXEY

For nearly two years, financial adviser Bonnie Sewell has tried to help a client, an artist without a full-time job, keep her retirement savings intact.

Ms. Sewell has shifted more of the clients' assets into cash, lowered her annual fee to 0.50% of assets under management from 0.65% and done what she could to help her make connections that could lead to a new job, she says.

Still, the client worked her way fairly quickly through her emergency reserves, and then raised the pace at which she's withdrawing funds from her retirement savings from a reasonable 4% a year to a clearly unsustainable 13%.

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The client is a divorced mother in her 50s, raising a teen-aged daughter and working several part-time jobs. "It's really hard to see someone struggle," says Ms. Sewell, a principal at American Capital Planning LLC in Leesburg, Va., which manages $16 million. "This is a smart, talented person who had a path that would successfully get them to retirement."

Now that plan is falling apart. "Just like a storm coming through, it's changed and it hasn't come back," Ms. Sewell observes. While the national employment picture has improved somewhat since the depths of the 2008-2009 recession, the jobless rate lingers at a current 7.3% and lots of financial advisers are dealing with the issue of clients who've been unemployed or underemployed for some time.

It can put advisers in the difficult position of having to balance their own needs as businessmen, and those of their other clients, with the needs of clients who want continued guidance but often are less able to afford it.

Ms. Sewell lowered her fees--something she's never done before--because the client asked, she says.

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"It's tough to cut a fee because the workload doesn't change; it often increases," she says. "It was just a compassionate move. I'm concerned she'll run through her accounts entirely. If that's the case, I wouldn't want to have been more of a burden than she could bear."

Ms. Sewell did have the client sign a letter acknowledging that she's changed from a safe withdrawal rate to one that's improper given her situation, the adviser says. "That protects both of us."

Avani Ramnani, director of financial planning and investment management at Francis Financial in New York, has also been flexible with her normal business model. Her firm will never turn away an existing client because they're in a difficult spot, she says.

Ms. Ramnani recently told a longstanding client, whose business has been fluctuating up and down in recent years, that it wasn't in her best interest to continue paying the firm's annual asset-based fees. The client hasn't added as much to her portfolio as usual and she's taken some distributions, says Ms. Ramnani, whose New York firm manages $105 million.

But the client didn't want to consider using another adviser, she says. Though Francis Financial doesn't normally take hourly clients, Ms. Ramnani now charges the client by the hour and provides advice as needed.

In addition to sometimes charging existing clients on an hourly basis, the firm will postpone fee increases for clients in difficult financial situations, she says.

Francis Financial encourages clients to attend educational and networking events, including some organized by Savvy Ladies, a non-profit organization founded by the firm's chief executive, Stacy Francis, to teach women about personal finance. Ms. Ramnani also discusses career management with them and offers to connect them with career coaches.

Adviser Paul Dolce says he can't imagine dropping a client who's out of work. Mr. Dolce, president of Financial Solutions LLC in Dublin, Ohio, works primarily with middle-income earners, and as part of the Garrett Planning Network, he charges clients by the hour.

One client, now 59, lost his job as a maintenance worker two years ago. Mr. Dolce offered the man and his wife, now 56, tips on budgeting, saving and managing their taxes. He advised the wife, who was still working, to trim her 401(k) contributions so that she just met her company's match. In addition, he gave the client a few job-hunting tips and some contacts. He charged no fee for the advice.

Just last week, the man, who lived about 100 miles away, landed a job as a maintenance supervisor in Dublin. He wrote to tell the adviser that he'll need his help selecting benefits with his new company and rebuilding his depleted finances. Mr. Dolce plans to connect him with a real-estate broker, he says.

"A little help in hard times can go a long way, and people don't forget," he says.

(Daisy Maxey is a Wealth Management columnist who writes about mutual funds, exchange-traded funds, annuities, closed-end funds and financial advisers. She can be reached at 212-416-2237 or at daisy.maxey@wsj.com)

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