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PRACTICE MANAGEMENT: Simple Works Better Than Spinning Heads

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Wealth manager Brian Preston has all the requisite professional designations to impress clients, and as both a Certified Public Accountant and a Certified Financial Planner he knows his way around complex financial strategies.

But at Preston & Cleveland Wealth Management the focus is on making sure the staff and its clients keep things simple.

"It's clear to me that at its core what brought about this financial crisis was a belief that complicated was good," he says. "From believing in the black boxes used by the hedge funds, to thinking that exotic mortgages were better than good old plain vanilla mortgages, there was this belief that 'the more complicated, the better.'"

"But it turns out a lot of people bought into strategies they didn't understand - and look where that got them."

Preston believes this mindset can endanger a wealth manager's business.

"If you are spinning the head of a client with some impossibly complicated strategy at its core, you have to question both the strategy and the service you are providing to clients," he says. "I think sometimes advisers have a desire to be on the cutting edge, or to keep up with some hot topic. They run the risk of losing touch with the basics that give clients security and confidence."

He says circling back to the basics can also boost revenue at a time when fees from assets under management have fallen, noting that the rise in layoffs presents big opportunities to roll over old 401(k) accounts.

Estate planning offers another opportunity to be both simple and smart. "People just don't think to make sure their beneficiary designations are current," he says. "For all the complicated estate planning tools you can throw at a client, sometimes we forget an important value-add is to check that the beneficiaries on their financial accounts are up to date. That's not hard."

At the heart of Preston's simplicity credo is a conviction that doing right by the client, regardless of the impact on revenue, ultimately is good business.

"For example, I happen to believe that paying off the mortgage before someone retires is a smart move," he says. "Now that certainly hurts my bottom line, as it means fewer assets under management for me right now. But it's the right thing to do."

"Doing the right thing builds a bridge of trust - and that's always good for business, especially today in the wake of the bear market and the Madoff scandal."

-By Carla Fried, For Dow Jones Newswires; 201-938-5265.

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