





Making HEROES *of Us All*

Bob Veres, the self-appointed
conscience of the financial-
planning industry, sees us for
what we are and challenges
us on what we can be

*By Mary Rowland
Illustrations by Anastasia Vasilakis*

When you're with Bob Veres

and his wife, Nancy, it's easy to imagine yourself back in the 1960s,
albeit with an older crowd.

Veres, a strikingly handsome guy with a linebacker's build and flowing curls pulled back into a graying ponytail, and Nancy, with neatly cropped white hair, are grandparents after all. But here, munching veggie entrées at the Laughing Seed restaurant in Asheville, N.C., a liberal enclave ringed by the Smokey Mountains, they seem odd converts to the world of money management.

They are at home with the '60s spirit here in Asheville, where "Bash Richness" is scrawled on the wall of an antiques store; business establishments post hours of "whenever we get there"; and the regulars at Beans Street Coffee on College Street talk of good times "kickin'" and tough ones "slammin'." They're so comfortable, in fact, that they moved here last year from Atlanta to the hometown of American novelist Thomas Wolfe and of the myth that healing energy bounces off the circle of mountains and touches everyone who lives here, so that no matter where they go, they will always return.

Many '60s idealists have grown tired and cynical, turned into yuppies, and drifted to Wall Street or other corporate jobs, never to return. But Veres promised himself back in 1969—when he was recruited by West Point to play football and leaned on by his father to consider the option for the prestige, for the free ride—that he would never bow to pressure, never compromise. And it is from here in the Smokey Mountains that Veres hopes to build a utopia. "The line of least resistance is tremendously seductive to most people," he says, "because it's easy, because it has the feeling that maybe it's the way it should be." Most people—98 percent, he figures—are just buffeted by circumstances, bouncing along on an inner tube in the river of life and ending up wherever it takes them. "Early on I made the decision that I would never accede to circumstances," Veres says. What he would do, he promised, was make the world a better place. "We've come to think of the '60s as a time of permissiveness and sex," he says. "But to me it was a time when you figured out how to build some kind of foundation for the way the world should be. Maybe you'll

never get there, but if not, you'll die trying."

The instrument for change in Veres's utopian vision is the financial adviser—the one who works on a fee-only basis, acts as a fiduciary, always puts his clients' needs first, and helps each client identify and accomplish dreams. With this vision, Veres has become one of the most influential people in financial planning today, a pied piper of sorts, leading advisers into the 21st century; blowing the whistle on them when they offend his sense of right; helping them over the hurdles; writing up the best of their ideas in *Inside Information*, his newsletter, and "The 21st Century Planner," his column in the *Dow Jones Investment Advisor*; cajoling them at the 10 or more conferences he attends each year and in the numerous speeches he gives; never compromising; never acceding to circumstances; and never worrying about whether his views are popular. "He is our visionary," says Cynthia Meyers, an adviser in Sacramento. "He holds a mirror up to the industry and holds us all to a higher standard."

But plenty prefer their own mirror, one that doesn't reflect Veres as the fairest of them all. Consider that Tom Gau, an adviser from Southern California, has coached some 5,000 advisers over the past five years at \$1,495 a pop on how to do the exact opposite of what Veres is talking about: how to "Have a \$1,000,000 Payday," as an ad for Gau's boot camp puts it. Gau's message, as reported in the March 1999 issue of *SmartMoney*, is that all advisers really need to know how to do is market themselves. "Learn to be a marketing specialist first; the financial specialty will follow," Gau says.

That's the message, too, of Nick Murray, author of *The Excellent Investment Advisor* (Nick Murray Co.) and, until recently, a columnist for the *Dow Jones Investment Advisor*, the only writer whose column was placed before Veres's in the magazine each month. Murray charges \$10,000 a speech to give advisers the same message as Gau—that you don't need to know a whole lot; all you need to know is how to make the client trust you. "Bob Veres is the anti-Nick Murray," says Don Phillips,

president of Morningstar Mutual Funds, the Chicago publisher. “Nick Murray says what makes people comfortable. He has two ideas and they’re both 50 years old, but he doesn’t mind charging for them.” In contrast, Veres speaks at the major financial-planning conferences for nothing. “Bob says what is true, what makes people uncomfortable,” Phillips says. “Bob Veres is not for sale.”

Rather than a million-dollar payday, Veres promises advisers that they can change the world. “Financial planners are going to become the most significant group of professionals on the planet because they will be the ones who will help people identify the life of their dreams,” Veres says. “People will say: ‘You’re obviously happy. Who is your financial planner?’ ” Veres believes that we are at a unique point in history, that utopia is a possibility for America now. Human society has never fulfilled the promise implied when it left the hunter/gatherer stage and became civilized, he says. We’ve had wars, famines, totalitarian governments, but mostly we’ve had what Henry David Thoreau called “lives of quiet desperation,” or what Veres calls “the inability to rise above your circumstances and control your life.” It’s hard for most people to do that, to make a change, because they don’t have the courage or the knowledge. But today, he argues, financial advisers are beginning to help people do just that. “For the first time in human history, American society has created the opportunity for the average person to live the life of their dreams and to have a meaningful niche in the economic system,” he says. Financial advisers, at their best, “can help people overcome circumstance and achieve what they’ve always wanted to achieve.”

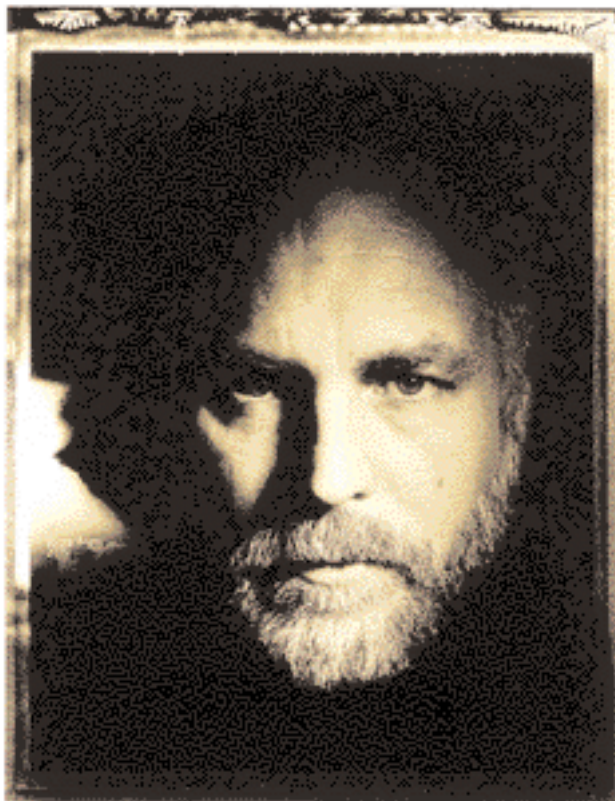
Veres is easy to spot at conferences, like a latter-day Moses, sometimes wearing his dinosaur T-shirt with the various brokerage houses—PaineWebber, Merrill Lynch, Salomon Smith Barney—labeled as different extinct species, such as the tyrannosaurus or the brontosaurus. “He always complains about going out to dinner at a place where he has to wear a coat and tie,” says Judy Shine, an adviser in Denver. “Bob delights in the fact that he irritates people,” says Janet McCallen, executive director of the International Association for Financial Planning (IAFP), the trade group with headquarters in Atlanta. “If he went to a conference and was unable to needle someone, he would feel he’d failed to get people to look at things in a different way.”

But Veres is not just a critic, a scourge of the industry. He is an advocate and a supporter, too, particularly of the

group of advisers whom he has identified as the “good guys,” those who truly want to help their clients, the ones who can create his utopia. He spends most of his time at conferences talking with them, collecting their ideas, skimming the cream off the top, and writing it up. “He’s very good at identifying planners who have a high degree of integrity,” says Robert Clark, editor of *Dow Jones Investment Advisor* and Veres’s longtime friend. “He’s able to crystallize many of the things he’s hearing these people say into one coherent thought. That’s one of his most important skills.”

Veres provides two invaluable things to the industry, says John Cammack, head of third-party distribution at T. Rowe Price and Associates, the mutual fund company in Baltimore. “First he tells planners what is the right thing to do, and second, he gives them the skills and the techniques to do it.”

Working out of a windowless corner of his unfinished basement with a chair, a computer, some bookshelves, and a space heater, Veres talks on the phone all day long to one adviser after another, learning what the best of them are doing, what works, what doesn’t, what con-



Brian Smith

cerns they have. "I don't know of anyone who has a finger on the pulse of the financial-planning community like Bob does," says Morningstar's Phillips. He spends much of the phone time coaching and counseling the advisers who call him. For instance, an adviser might say: "Look, I'm at this point in my practice, and I don't know what to do next." Frequently someone says: "I'm making the transition to fee-only, and I've hit an obstacle," and then, of course, Veres wants to know what, exactly, the obstacle is. "What does it look like from the trenches? Describe it to me. Tell me how it feels."

And before you know it, Veres is helping out this adviser, explaining to him or her how to ford the stream, sometimes writing it up in his next newsletter, too, if it's new, if it's helpful. "Sometimes I'll talk to someone for two hours, and there will be just five minutes when he talks about something that is new," Veres says. "It takes a fair amount of knowledge and skill to identify that five minutes." Veres then acts as a filter, a bulletin board, providing a community for the best financial-planning practices in the country. "None of the material comes from me," he says. "I gather wisdom and knowledge from everywhere and then I pass it on to a wider audience."

His wife, Nancy, objects that he can't include free consulting in the \$119 subscription price of his newsletter. Well, Veres says, gosh, no. If all 1,500 subscribers called him in the same week, well, it would be a problem. On the other hand, if they call one at a time, maybe he can help somebody out and helping that person can help somebody else, maybe it can even change the world.

"Nothing is more precious in this world than a budding fee-only planning practice; we all have to do what we can to nurture those things," he says. Indeed, Veres has pushed the envelope on a lot of issues, but most notable is his insistence on fee-only planning, on making the adviser answerable to the client rather than to a company selling products. He is frequently buttonholed at conferences by angry commission-based advisers wondering why he presses so hard, why he wants to threaten their livelihood. Not only is fee planning the high road, not only is it the right way to do things, but as he sees it, it's a case of water running downhill. Even without his help, planning would be evolving toward fee-only through these six stages:

In stage one, the broker works for a wire house. "You work for Merrill Lynch or Dean Witter or Salomon Smith Barney and you're working for the company and

not for your clients," Veres says. The offer to clients at this stage is: "I'll sell you something."

In stage two, the broker leaves the wire house and goes to work for an independent broker-dealer. When people make that move, "they never, ever, ever go back," Veres says. "Hold a gun to someone who has left a wire house and say, 'You're going back to Merrill Lynch,' and he'll say, 'Shoot.'" The offer is still, "I'll sell you something," but with a modicum of independence.

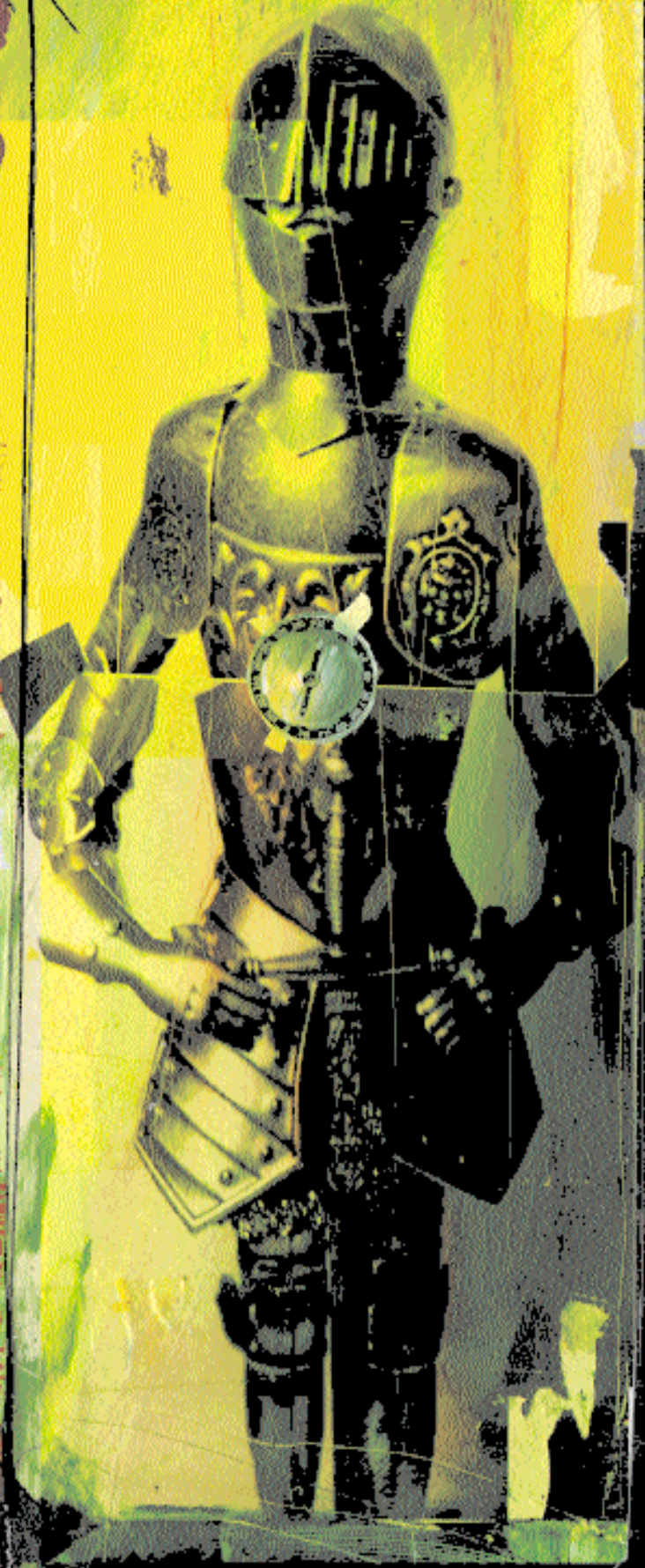
The stage-three broker begins to throw in additional services even though he is still compensated by commission. "So you're not just selling securities; you're also giving a lot of service, even though the only thing you can really get paid to do is look at investments." Again, they never, ever go back. "It's a one-way filter," Veres says. "It's easy to see which way the water is flowing, where is the future of the profession."

A stage-four adviser begins to take fees for the additional work he does, which might include estate planning, retirement-plan distributions, or other planning services that do not fit directly into investment management. "You don't call it additional anymore; you make the services part of your offer, and you start working more or less exclusively for your clients," Veres says.

At stage five, an adviser converts to fee-only, dropping commissions altogether, moving gradually toward becoming a wealth manager, which is the high end of fee-only planning. The offer is, "I will tell you the right way to invest, to conserve cash, and will act as your purchasing agent for all the other services you need."

"So I make a big stir by saying I think fee-only planning is the future of the profession and people say, 'Whoa. Gosh. Let's not go too far,'" Veres says. "But clearly if everything is moving in this direction and never back up, then the pool is going to collect at fee-only planning and the stage-one wire-house brokers are going to dry up."

But let's not forget stage six, a thinly numbered group and Veres's hope for the future. This is the level at which the adviser helps clients to implement the best possible life, where Veres puts advisers like Cynthia Meyers in Sacramento and George Kinder in Cambridge, Mass., and Maui, Hawaii, who are doing life enhancement or life planning. "George and Cynthia and maybe a handful of other people, not very many, are trying to help people directly implement better lives," Veres says. "They're asking what they can do to help clients discover what God intended for them, how they can follow



their heart and their dreams, how to make the right trade-offs to create the best possible life.” Veres estimates that there are only 30 or 40 advisers today offering this service but says this is “where all planning is going.” The offer in stage six is, “I will help you accomplish the life of your dreams,” Veres says. “It’s going to transform society in ways we can’t imagine because suddenly happiness will become something achievable. Personal satisfaction will become something that people don’t joke about anymore.”

Already, Veres says, advisers tell him that this is what they’re doing on the side as a favor for their three favorite clients. Veres wants to help advisers incorporate life planning into their services, to roll it out as a core offering. “What you want clients to say is, ‘I’ve got this wonderful financial planner whose business is to help me live the life of my dreams and to charge me for it,’ ” he says. Veres defines his role as helping the good guys, the right-thinking advisers, to move to stage six. “All I’m trying to do is to make clear to planners how to structure their offer so that it is better than the other guy’s offer, so that they will

triple major in physics, math, and computer science. When his father died in Veres’s sophomore year, money got tight, his mother moved to Saint Simons Island off the coast of Georgia to be with her parents, and Veres transferred to the University of Georgia, where he earned a master’s degree in English literature and met and married Nancy. He worked briefly as an advertising copywriter but quit because he was using his writing skills to “mislead the American public,” and then as a court reporter and freelance writer before being hired as editor of *Air Cargo World*, a magazine for the airfreight industry.

In 1982 Veres was writing a five-part fictionalized series about nuclear war for Jack Lange, editor of *Atlanta* magazine, when Lange was hired by the IAFP, inherited *Financial Planning* magazine, and hired Veres as editor. “So now I’m editing a magazine I know nothing about,” Veres says. “I don’t even know how to balance my checkbook. The learning curve was steep.” But Veres warmed to the job, beginning to investigate the magazine’s advertisers, who were mostly limited-partnership sponsors. It



Veres wants to help advisers incorporate life planning into their services, to roll it out as a core offering. “Because it’s a better offer,” says Veres, “you’ll get more business”



take market share away from people who are not making as good an offer at every stage,” he says. “In other words, if you’re here in the evolutionary process, move there. Because it’s a better offer, you’ll get more business.”

The discussions take place in his newsletter, where he profiles advisers who are moving to stage six. “This is Bob’s greatest gift,” says Shine, “to talk to so many of us and put the great ideas he finds in his newsletter. He’s set up the equivalent of a chat room among planners.” For example, one adviser is offering to arrange vacations for her clients. “She tells them they’re not having enough fun in their lives and that what they need is a trip to Paris,” Veres says. The adviser puts aside the money, plans the itinerary, makes the arrangements, meets them at the airport, hands them their tickets, their bags. “They go on vacation and come back rested, knowing they had the best-possible vacation for them and at the best-possible price,” Veres says.

Veres would have been an idealist one way or the other, but it was happenstance that linked his fate with that of financial advisers. For a couple of years, he went to Union College in Schenectady, N.Y., where he had a

was there that he got the first sense of his mission. “Somewhere at *Financial Planning* magazine a kind of missionary quality entered into it because I was fighting evil,” Veres says. His definition of evil is a broad one that includes “all people who sell things for their own benefit rather than their client’s benefit.”

So Veres became a consumer advocate at a trade publication, a role that was doomed. “I came to view myself as standing between the consumer and these other people who wanted to rape them,” Veres says. “I got in horrible trouble, board members screaming in my face because we trashed something in the magazine that they had sold tons of.” Idealism cost Veres and his family big time. He left *Financial Planning* in 1989—in the midst of the worst journalism recession in 15 years—with plans to write for consumers and found that consumer publications were not interested in his behind-the-scenes planning stories. Veres had four children by then and Nancy was pregnant. “We almost died,” Veres says. “It very nearly sank us.”

“Yes,” Nancy agrees. “We have suffered significantly.” Nancy’s father offered to support the family and send

Veres to school to study to become a certified public accountant. Eventually it was Nancy who went back to school to get a degree in nursing.

Then Veres began to realize that the best, most helpful stuff he had been doing at *Financial Planning* was not his investigative work but the profiles and practice-management stories, the stories that told advisers what other advisers were doing and why and what it was they needed to be successful. "I figured I was going to go bust and so I started to put together this newsletter and sending it out in February 1990," Veres says. "I told people just to pay whatever they felt like paying." Some people paid \$200 and some people paid \$5. "It was a very amateurish beginning," Veres says, "but I didn't think of it as a business." It was not until late 1996 that Veres felt he could take a deep breath, that he could support his family, that the crisis was over. But during those difficult years, he never once compromised.

"When he left *Financial Planning* magazine, Bob really defined himself," says Cammack of T. Rowe Price.



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"He said, 'I'm going to call it my way; if people read it, great; and if not, I'm still doing what I think is right.' "

Veres's self-appointed mission is broad enough to become unwieldy at times. Anyone with such a clear image of himself as the foe of evil is going to miss the mark sometimes. Innocents occasionally get caught in the sights of his slingshot and at other times Veres embraces the wrong side. He has a tendency to simplify issues along the big-guy-is-bad theme, says one industry insider, who is still an admirer. Some say that's the case with Veres's recent endorsement of Al Barnes, a Birmingham, Ala., insurance-industry crusader who has developed a formula he calls the Barnes Standard as a way to evaluate life insurance policies. Barnes suggests that a life insurance policy is no more complex than a home mortgage, telling consumers that if they find out the costs for acquisition, for mortality charges, for other moving parts, and for the investment return, they can make an honest comparison of two policies. Veres agrees—so much so that he wants to help Barnes get his ideas down in book form. "I think insurance is the darkest corner of

the financial-services marketplace," Veres says, "and here [I am] trying to influence the world, trying to figure out how to shine the light into it, how to reform it."

No one disagrees that insurance is the darkest corner of financial services. But many experts, like Glenn Daily, a fee-only consultant in New York, say that Barnes's light is doing nothing to illuminate it. "I'd like to see a list of the top companies using his formula," Daily says. "That's what I'd see if I was reading a story on mutual fund ratings." Barnes's formula guides consumers to second-tier companies rather than those, like Northwestern Mutual, that treat policyholders best, Daily says, because the formula uses guaranteed values and doesn't take dividends into account. "From my perspective as a fee-only insurance consultant, Veres is an irresponsible, arrogant reporter who would be well advised to spend some time in the library or at actuarial conferences on product pricing," Daily says, noting that Veres has told people to buy policies only from companies that comply with the Barnes standard. "If I gave clients advice in that manner,

I'd be vulnerable to malpractice lawsuits," Daily says, "but because he's a journalist, he gets to hide behind the First Amendment."

But Veres doesn't mind the arrows in his back when he's fighting the good fight, leading advisers to the next step in the evolution, to the place where they can make a better offer. "He thinks financial planning should be a profession," says Clark of *Investment Advisor*, "and he has been as influential as anyone I can think of in moving it there."

Where will he go next? "None of us in financial planning can imagine what our world would be like if Bob Veres was not a part of it," says Cammack. "But the world is quickly moving beyond big guy—little guy, fees versus commissions. It will be fascinating to see how Bob Veres continues to evolve, what issues he chooses to put to the Veres smell test."

Mary Rowland is the author of Best Practices for Financial Advisors (Bloomberg Press). She speaks regularly to financial advisers on issues of practice management.