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VOICES: Barry Kaplan, On Keeping It Simple

Barry Kaplan is a wealth manager and chief investment officer at Cambridge Southern Financial Advisers in Atlanta. He spoke with WSJ Financial Adviser about the importance of keeping financial planning simple.

I believe that one of the major problems with financial planning is that people make things way too complicated. Simple, low-cost solutions normally provide most of the same benefits of more complicated plans. And they are easier to implement, easier to track and they offer much greater flexibility. The more complicated the strategy, the more things can go wrong.

For 20 years I practiced dentistry. During that time I saw many friends and colleagues make poor financial decisions and receive inappropriate financial advice, and I realized that everyone in the financial services industry was pushing their own agenda. I saw insurance agents who thought everything could be solved with whole life annuities and stockbrokers who were looking for the next hot stock but couldn't spell "asset allocation."

I took the CFP course and board exam for fun, figuring that in the worst case scenario I would make my money back by applying what I learned to my own finances. After I became disabled, due to a ruptured disc in my neck, I had to give up dentistry. That's when I began working full-time as a financial planner.

So I'm first getting started and a guy in his mid forties comes into my office. He's got a grand total of \$500,000 to invest. He's got an adviser, and he's got \$250,000 in a large-cap growth separately managed account and \$250,000 in a large-cap value separately managed account. And that's all he's got. He's paying both managers a fee, and he's paying a financial adviser. He's paying taxes. He's paying all sorts of stuff.

It turns out these two separately managed accounts, put together, underperform the S&P 500, with higher risk and lower tax efficiency. This guy has no small-cap, no international, no emerging markets – heck, he has no bonds. A very simple 60/40 or 70/30 basket of index funds in his portfolio would have been superior to what he had, with a better return, lower fees and higher tax efficiency.

This guy was being sold the sizzle.

The industry doesn't want to sell simple because there is no money in it. The public doesn't want to buy simple because it's mundane. There's no sizzle. We feel that if something's more complicated, it's got to be better. But that's not the way things usually turn out.



Barry Kaplan

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