

Banks *Should* Be In The Financial Planning Business

To the Editor:

I would like to respond to a Rostrum guest editorial in Southern Banker by William H. Sheavly ("Bankers as Planners," September 1990). I can start out by saying that I almost categorically disagree with every single point Mr. Sheavly expressed. I believe strongly that banks not only should be in the financial planning business, but have an obligation to offer their customers a choice between themselves and commission-driven, product-based planning.

In fact, there are significant problems in the structure of the financial planning industry that bankers may be able to rectify. To best illustrate: Would you go to a doctor who was employed by a pharmacy that was owned by a major drug manufacturing company?

Of course you wouldn't. The potential for conflicts of interest in such a scenario would prevent any person concerned about his physical well-being from accepting such an arrangement. But as ludicrous as this illustration sounds, that is the only form of service available from the nationally recognized financial planning firms, such as the one with whom Mr. Sheavly is employed.

(Editor's Note: Mr. Sheavly is a financial planner with IDS Financial Services Inc., a subsidiary of American Express, in Virginia Beach, Va.)

Each major company in the financial planning industry houses financial plan-

ners who work in the company's offices and sell the company's proprietary products. As you can see, in the financial services industry, it is commonplace for the doctor (the financial planner) to work for the pharmacy (the company store) owned and stocked with drugs manufactured by the major drug company (the insurance company, securities brokerage firm, etc.).

The medical profession has drawn a distinct line between physicians who prescribe drugs and pharmacists who sell them. This has been done to protect the patient from the obvious con-

flict of interest that would exist if a physician was compensated based on how many prescriptions he could write. Otherwise, the physician might become a walking antenna looking for prospective patients to whom he or she could sell drugs.

The problem with the current financial planning industry resides in the fact that every major company in the industry came to this industry with a specific agenda: They came to sell their products.

Financial planning as an industry is just under two decades old. However, every major firm in it has been involved with the manufacture of insurance and/or securities products for the past 50 to 100 years. I suggest the main reason these companies began developing their financial planning departments 10 to 15 years ago was that they realized it is easier to sell insurance or investments

as an advisor than to solicit the same products as a salesman.

Am I saying these companies are unethical because of this? Absolutely not! We live in a free enterprise society, and it is only fair for a company to expand its services or products so as to become as profitable as possible.

All I am saying is that they had a definite agenda when they came to the financial planning industry: to sell more of their proprietary products.

It should not be a surprise that Mr. Sheavly doesn't want banks in the financial planning industry. What would happen to a company like his if people could turn to their banks for competent, objective financial planning assistance?

In fact, doesn't it make more sense for banks and certified public accountants to take on the responsibility to assist their clients' financial planning needs instead of life insurance agents and stockbrokers? The first two industries have a lot less bias and conflicts of interest than the latter two.

In response to Mr. Sheavly's suggestion that personal financial planning is far too comprehensive a service and requires far more competence than most bankers have, fortunately, that is simply not the case.

I am a 19-year veteran of the financial planning industry and I suggest financial planning is nothing more than employing common sense to one's personal financial environment. Unless you have millions of dollars to worry about, properly planning for one's future is a pretty straightforward proposition.

Today, there are companies who assist banks in providing both educational seminars and financial planning services for their clients. These companies provide the support and backroom technology to ensure that each client receives competent service.

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