PRACTICE

Hourly Option

Some 20 years after gaining considerable renown, Sharon Rich is still running a solo shop and billing like a consultant. That's exactly how she wants it. **By Kathy Kristof**

Sharon Rich was in her late 20s, studying for a doctorate, when a six-figure inheritance changed her life. Before the windfall, she was too busy trying to get by to think strategically about money. Suddenly, she says, she realized how much she didn't know.

"It struck me that you needed a safe place to learn about money management, trusts and all the financial questions," says Rich, the founder of Womoney in Belmont, Mass.

The more she investigated, the more she realized that there were few places offering answers, rather than products, to people with modest assets – in other words, people like her. She enrolled in a financial planning program at Boston University and later hung out a shingle.

With a notepad and a present-value calculator, Rich says, she charged only enough to get by at first, figuring that the experience was more important than high fees. Her practice grew by word of mouth. "The talkers expand your business for you," she says.

A decade later, *Worth* magazine ranked her among the nation's top planners and *The Boston Globe* asked her to help with the newspaper's Money Makeover feature. Clients poured in.

Two decades later, although her hourly rate has risen more than sixfold to $260, much else at her practice remains the same. She still wants her office to represent a safe place to learn – particularly for women, who make up 94% of her clients. She still lets them set the agenda, free to call her only if they have questions or want advice on some sticky problem. She still provides help and direction based solely on an hourly fee. She makes a low six-figure income by seeing 10 to 15 clients a week. That's good enough for her, she says.

"It's what I tell our clients," she says. "Our goal is not for them to make the most money; it's to help them reach their personal goals."

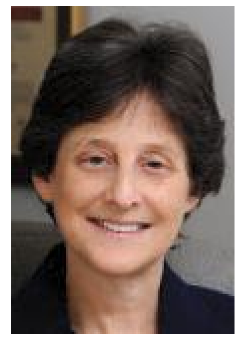
LIFESTYLE PRACTICE

Rich's goals have yielded what other advisors might regard as a lifestyle practice. She works from home and on nice days can be persuaded to take the planning session into the garden.

She sets boundaries: She doesn't sell products, she doesn't manage money, she doesn't do tax returns. She'll make specific recommendations in any area – insurance, budgeting, long-term care, taxes or investments – but it's up to the client to implement them.

Rich doesn't have employees, not even a secretary or an accountant. She doesn't advertise – in fact, she's no longer taking new clients. The firm's only growth comes from family members of existing clients, whom she usually agrees to accommodate. After each appointment, she hands the client a bill that reflects the time spent. Most pay her on the spot.

Some clients need coaching and make appointments with the frequency of a haircut, at least initially. Others make appointments once a quarter or once a year – or even less fre-



PRACTICE PROFILE

SHARON RICH
Womoney
Belmont, Mass.

Credentials: Ed.D. in psychology, Harvard; financial planning diploma from Boston University

Experience: Founder of Womoney; co-founder of Pride Planners, an association formed to teach about planning issues affecting the gay and lesbian community

Clients: 470

How I see it: "People need a safe place to go and ask questions and learn about finance."

quently. One man recently called after a 10-year hiatus asking for a checkup.

"If you have a CEO looking for somebody sitting behind a big desk in Boston, they're not going to end up here," she says. "But for the clients I have, this is a good match."

Although hourly models are less common, Rich says the formula offers her more freedom. She believes her advice can't be tainted by conflicts of interest. Even AUM fees, she argues, could tempt planners to skew their advice to bring in more AUM.

After each appointment, she hands the client a bill that reflects the time spent. Most pay on the spot.

The structure also keeps her working directly with clients — the part of planning she loves. If she managed assets, she says, she would need to build a staff and spend more of her time managing employees or watching market trends. Neither appeals to her.

"In the mid- to late 1990s, when I was getting a lot of press, I had to decide whether I wanted to expand my office and take on other planners," she says. "I really like working with people, so I ... went another way. But it's not necessarily the right answer for everyone."

PRACTICE DOWNSIDES

Indeed, 30 years of practice have also exposed the holes in her formula, she says. During the financial crisis, for example, she was inundated.

"It's the client's responsibility to contact me when they have questions, and in October of 2008 absolutely everybody had questions," she says.

Rich spent weeks answering and returning the frantic calls. For most, it took just five minutes to pull up their portfolios and provide some variation of the same answer.

"I'd say, 'Well, last we checked, your ideal asset allocation was 50% stocks and 50% bonds. You're now in 30% stocks [because of the market plunge] and 70% bonds. Do you want to buy more stocks?' "

Another trigger was last summer's Supreme Court ruling on same-sex marriage. The federal government's new stance should push every planner with gay clients to revisit those plans, Rich says, to make sure that documents created under the old law still are suitable and tax returns filed over the past three years provide the best result.

The planning environment for gay and lesbian couples used to be more complicated for those who lived in states that recognized their right to marry, explains Rich, who estimates that 15% to 20% of her clients are gay. The federal government's lack of recognition created complexities that often required two different sets of returns.

Now, the situation is reversed: With the federal government now recognizing gay marriages, it's the couples living in states that don't recognize gay marriage who are faced with added tax complexity.

Regardless of sexuality, Rich advises every client on the brink of marriage to execute a prenuptial agreement. The reason? You never know where you might wind up living. Because state laws govern disposition of assets in the event of divorce or death, she says, clients need an agreement that keeps the disposition of assets out of court jurisdiction.

Yet this advice brings up another challenge with Rich's model: No matter how great her recommendations, she has no control over whether clients listen. While other planners recommend and then put plans into effect by managing client assets, Rich simply hopes her clients take action.

Most continuing clients appear to, she notes. But some return without having executed "their homework" — such as completing an estate plan or buying insurance coverage. "If a client does not take responsibility, it can get frustrating to watch because there are opportunities that they have missed," she says.

On a practical note, Rich acknowledges that her practice would be difficult to sell. There's no pile of assets generating annual management fees; the client relationships and loyalty are based on Rich alone. "I probably could sell, but it would be difficult," she says. "It's not a model that's highly marketable."

That said, Rich isn't going anywhere. She figures that by not taking on new clients, her business will slow by the time she's ready to retire. For now, she's content working at her own pace and making a livable income.

"Being a sole proprietor and working from home allowed me to raise my kids, taking a break from 3 to 7 every day to be with them," she says. "It's a great quality of life." **FP**

Kathy Kristof, a *Financial Planning* contributing writer in Los Angeles, contributes to *Kiplinger's* and CBS MoneyWatch.

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