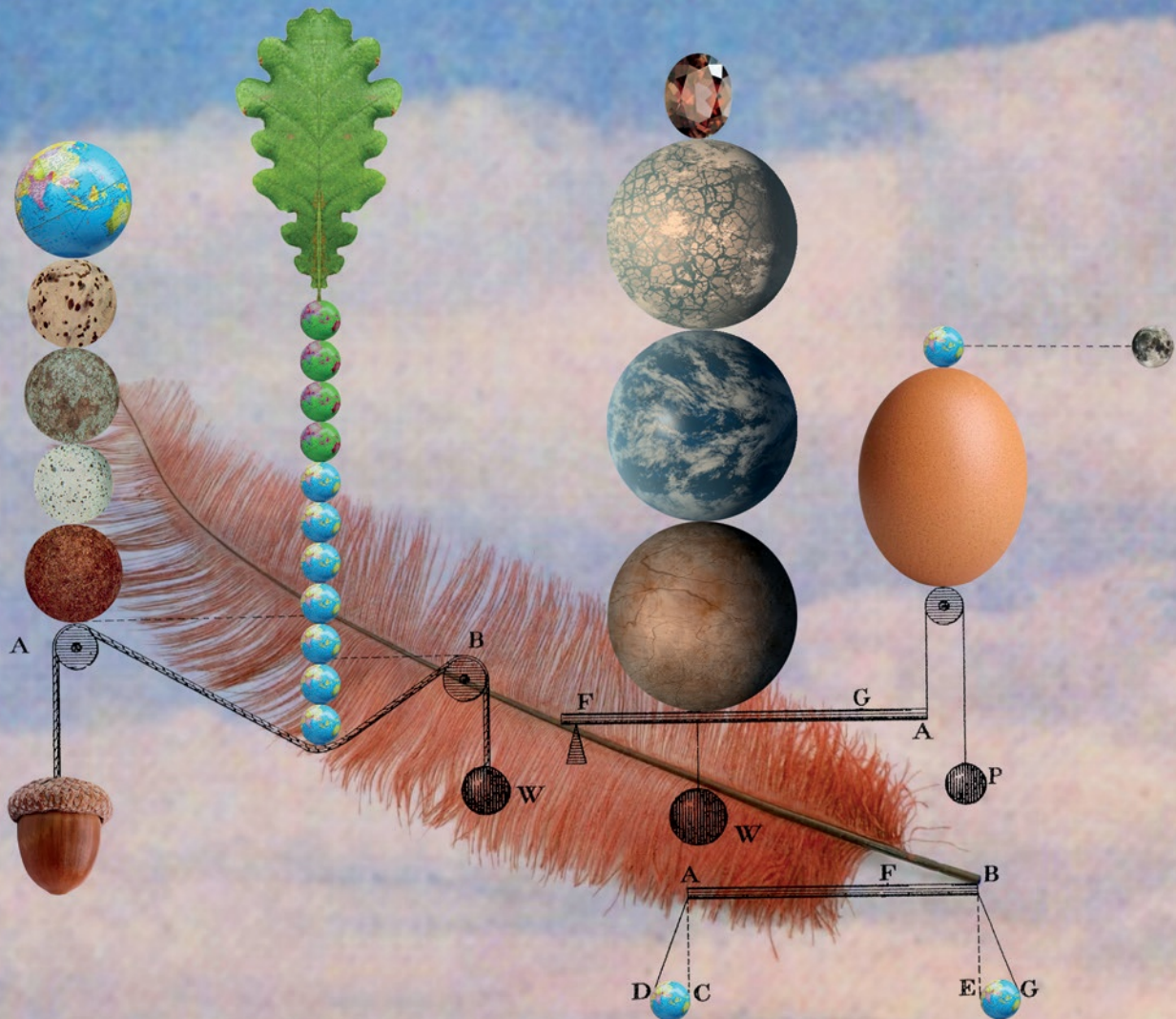


Morningstar

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A Change of Course

The playing field tilts toward investors, forcing asset managers to adapt to a changing world.

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On a Mission to Educate

Randy Bruns wants to boost financial knowledge among average Americans.

USER PROFILE

Charles Keenan

Randy Bruns sees America as needing a lot more education when it comes to financial literacy. Bruns, a Certified Financial Planner, notes how many employees once retired with company pensions, which were run by professionals. Yet nowadays, workers increasingly have been left in charge of their own investment portfolios,

a situation fraught with pitfalls, especially because some providers in the financial industry prey on ignorance.

"Now, the average American is on the hook for making that last throughout retirement, having no clue how long they are going to live," Bruns says. "They have no professional training whatsoever in their life on how to handle that, in an industry that I don't think has done great favors helping people in the past."

Bruns, principal and founder of Model Wealth, his advisory firm based in Naperville, Ill., says there is much work to be done to improve the financial knowledge of Americans. In addition to serving clients, he volunteers in Chicago to help educate people who can't afford financial planning or those who don't have enough assets to get the average advisor's attention.

He sees plenty of mistakes being made, such as lack of savings discipline, taking out too many loans, and straying from asset allocation. That last shortcoming, such as when people pull their money out of the market, can be a particularly insidious threat to wealth-building. "They don't realize the potential devastating effect of just being out of the markets for a few weeks, months, or years can have on the long-term average return they rely on," he says.

Keeping It Simple

In his practice, Bruns, 40, has sought to eliminate



all conflicts of interest and be transparent. Instead of levying fees based on assets under management, Bruns charges a flat fee. That removes the conflict in wanting to steer as many assets under his own umbrella to maximize fees. "It's our job to go figure out what you should do, and we're going to bill you for it. And it's going to be based on the number of hours we work. That's a core of what we do."

Bruns became interested in the financial industry in college, during the dot-com bubble. He was amazed by how so many people put their life savings on the line, buying and selling technology stocks of companies they knew nothing about. After graduating from Millikin University in Decatur, Ill., in 2001, he worked for a year as an investment representative at Edward Jones, then moved to a large bank, where he served for 10 years.

Yet at the bank, he found the sales and commission culture at odds with what was best for

the customer. Many advisors there pushed fee-rich instruments such as annuities, which Bruns saw as toxic for portfolios but generated as much as seven times in commissions compared with mutual funds. Bruns felt the pressure. He left in 2012 a few months after obtaining his CFP designation and started Model Wealth, where he could chart his own course.

That included avoiding the typical fee-only structure based on AUM, part of a growing trend. "I'm not going to move the needle by myself, but there is a growing number of financial planners out there that want to put forth the single best experience consumers can get," Bruns says.

That means Model Wealth doesn't need assets to give advice. About half of Bruns' clients hold their assets elsewhere, and they pay by the hour for project work and periodic checkups. He charges \$300 per hour, so a typical new client typically takes about 15 hours to set everything up for \$4,500. This group receives biannual or annual checkups, typically paying \$600 to \$1,500, depending on planning needs. For more complex work, Bruns also offers flat fees of \$5,000 to \$10,000 so clients don't feel like the clock is ticking by the hour.

Get the Market Return

The simple part to Bruns' investing derives from the philosophy that few investors beat the markets over the long term. "We believe it's our job to help our clients get the market return, or as close to it, with as little headwinds as possible," he says. "And we don't make ourselves out to be anything fancier than that. But we would argue that's a very highly effective endeavor."

Bruns uses total market index funds and active funds that have low turnover and low expenses. He likes fund families such as Vanguard and Dodge & Cox, and American Funds without the sales load.

By keeping fees modest, there's no pressure to overthink portfolios, he says. Some portfolios have as little as five mutual funds. "I think a lot of financial advisors feel a need to overcomplicate it," he says. "We don't hang our hat on trying to do

anything brilliant with the portfolio, because we think the brilliance is keeping it simple and helping people get the market return."

He spreads stock and bond fund assets across U.S., international, and emerging-markets strategies. He uses Morningstar Advisor Workstation to aggregate data of all of the different accounts of clients, those from inside and outside the firm, to monitor asset allocation, fees, expense ratios, and exposure. "Any given day, any given moment, we can very easily see all of the data at a moment's notice," he says. "It is invaluable to us as a firm because we always want to be cognizant of what the portfolio looks like."

Growth in business has been steady. In 2016, Bruns recruited Alex Offerman, who is now a CFP and only 25. The firm directly manages \$125 million in assets and has 200 clients. Bruns has plans to add more planners with more clients coming on board. Clients now come from all over the country, and much of the consultations occur over Zoom.

Helping Others

In his mission to help others beyond his practice, Bruns does pro bono financial planning with underserved communities, including low-income earners, minorities, seniors, and veterans. He also sees people with income but little in assets. When he started in 2012 with the free counseling, the level of financial ignorance was eye-opening. "That's when I really got to see the lack of financial literacy of the average American," he says.

As president of the Financial Planning Association of Illinois, he recruits other financial planners to do pro bono work, and he gives talks in coordination with institutions such as the Federal Reserve Bank of Chicago and the Chicago Public Library. "Individuals can come in and get answers from somebody who doesn't have a profit motive," he says.

But when it does come to profits, Bruns' approach has appeal. "We are working on projects every day and every week for people who hire us, and we are purely independent." ■■

Charles Keenan is a freelance financial journalist.

Randy Bruns, CFP, senior financial planner and founder, Model Wealth.

How he caught our eye: Bruns conducts pro bono financial planning sessions with individuals throughout the Chicago area.

Career path: Worked his first year out of college at Edward Jones, then the next decade at a large bank, then struck out on his own as a Certified Financial Planner in 2012.

Personal: Lives in Wheaton, Ill., with his wife, Natalie, and daughter, Nora, 2, and son, Ben, almost 1. Runs 5Ks and likes to mountain bike and go on long walks with his Australian shepherds, Dash and Daisy.

Favorite funds: Index funds and funds with low turnover and expenses, in fund families such as Vanguard, Dodge & Cox, and American Funds.