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As Accounts Pile Up, Less Becomes More

By MICKEY MEECE

IT'S COMPLICATED Crystal Stern, a Los Angeles tax consultant, at a flight lesson. Her family spent years sorting out her grandfather's accounts.to spend on themselves.

THE unwieldy task of looking after many financial accounts, the cost of paying for their upkeep and the risk of losing track of money in the process can lead to diminishing returns. In fact, investors who cannot tally their accounts on two hands might want to consolidate, financial advisers say.

Such financial juggling can happen to anyone who has hopscotched through jobs and left 401(k)'s at previous employers; moved often; opened several bank, savings or credit union accounts; bought and sold stocks; or accumulated wealth over the years.

It can be especially overwhelming for people who have inherited a lot of money or sold all or part of a business, said Hannah Shaw Grove, a private wealth specialist.

"This transformational wealth sounds great, but it comes with several complications," Ms. Grove said, taxes and estate planning being among them. "The amount of private wealth today is much greater than it has ever been. People do have a lot of money and a lot of accounts, and they realize that they want to keep track of them."

Doesn't having many accounts signify that you have succeeded financially and understand how to diversify? Not necessarily, wealth advisers say, especially if you have lost track of what you have or lost sight of your financial goals.

"You want to be a successful investor," said Jack Brod, principal for asset management and trust services at Vanguard. "You don't want to become a collector" of accounts.

On this point, financial advisers, tax preparers, wealth managers and investment companies seem to agree. "That is the essence of wealth management," Ms. Grove said. Consolidation, she said, is ideal because it allows a person to look at all his accounts and identify, for instance, synergies and overexposure.

Not only will the process benefit you and your spouse, advisers say, but it will also help your beneficiaries.

Consider what happened to Crystal Stern, who runs her own tax consulting service in Los Angeles and whose family was left to contend with her grandfather's complex finances. "My grandfather had over 30 bank accounts because he used to like to go to a different bank every morning, drink the free coffee and eat cookies and read The Wall Street Journal to look for investing ideas," she said. "When he died it took us years to get all the bank accounts straightened out."

Even so, she said, she maintains separate personal, business, investment and rental property accounts. "At least with online banking," she said, "it's easier to stay on top of them all — but no cookies."

Holding three dozen accounts, as Ms. Stern's grandfather did, is an extreme example. People generally have eight or more but should try to keep four to six long-term investment accounts, plus smaller, more liquid accounts like checking, money market or brokerage, said David G. Strege, chairman of the Certified Financial Planner Board of Standards and a planner in Des Moines. Two of those would be for qualified holdings like individual retirement accounts or Roth I.R.A.'s for you and your spouse, and the others could include 401(k)'s through work, Mr. Strege said. Such a goal takes perseverance, especially since the average person switches jobs seven or more times over a lifetime. Research from Fidelity Investments last fall suggested that one in four Americans had left at least one defined-contribution account, like a 401(k), under the auspices of a former employer, with an average balance of $64,000.

This year, investors are expected to move more than $300 billion out of 401(k)'s into I.R.A.'s, according to Cerulli Associates, a research firm specializing in the financial services industry. As people become more serious about managing all their accounts,

THE ASSIST Dr. Lowell Johnson and his wife, Jean, at their son's Indiana home. They hired a financial planner to untangle their accounts.

said Carolyn M. Clancy, executive vice president for personal investment at Fidelity, they want to know that their beneficiaries will be taken care of and that they will have lower fees, lower or no loads on mutual funds and access to investment guidance — all in one place.

Life-changing events like retirement, death, divorce or the sale of a business often prompt investors to examine their holdings and to consolidate, wealth advisers say.

Dr. Lowell Johnson and his wife, Jean, of Des Moines turned to Mr. Strege's firm, Syverson Strege & Company, in the 1990s to help untangle a mess of personal and inherited accounts before they retired. One particularly troublesome area was the eight or so insurance policies that Dr. Johnson, a veterinarian, had accumulated.

"We had a $10,000 policy here and a $20,000 policy there," he said. Their financial planner suggested cashing out most of them to free up money to invest elsewhere.

"It took a couple of years and a lot of hard work" on the part of the financial planner, Mrs. Johnson said, but she added that they had ended up with a more manageable portfolio for retirement.

Research from the Luxury Institute in New York, which studies the top 10 percent of rich Americans, shows that as people age they tend to use one wealth manager, as the Johnsons did.

The idea, said Milton F. Pedraza, chief executive of the institute, is to find an independent investment adviser to be a quarterback for all your investments, from art to wine to collectibles to money. Most people who have a high net worth use word-of-mouth referrals to find that person, he said.

Institutions like Vanguard, Fidelity, Schwab and others also cater to those who can invest, whether they have $1,000 or $1 million, providing a one-stop shop for all their needs. Each offers a service to help clients roll over accounts to their firms.

"There is enough complexity in all our lives," said Andy Gill, senior vice president for client experience support at Schwab. "Bringing it all in one place makes sense."

By doing so, a client will probably pay fewer fees, maximize tax advantages and make retirement and estate planning more efficient. Moreover, an investor can limit downside risks and avoid leaving assets dormant.