BARRON'S COVER

Top 1,200 Financial Advisors

Our annual state-by-state listing shines a light on America's best advisors. What they recommend.

By STEVE GARMHAUSEN

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Top Advisors for Last Three Years

Top 1200 Financial Advisors by State for 2015

Top 1200 Financial Advisors by State for 2014

Top 1000 Financial Advisors by State for 2013

The greatest concern of most investors isn't this year's cooling of stocks, or plunge in oil prices, or even the prospect of higher taxes. Instead, it's the same problem that has been dogging investors for more than five years: where to find decent income. With interest rates seemingly cemented near record lows, the financial advisors on our annual Top 1,200 list say their clients are persistently pressing them to find some yield, any yield. "Producing income is kind of the great commodity out there," says R. Scott Runia, Utah's No. 1 advisor in our 2015 Top 1,200 Advisors ranking.

Runia, along with his fellow top advisors throughout the country, have their work cut out for them: Yields on the benchmark U.S. 10-year Treasury, at about 2%, are barely outpacing inflation. But failure isn't an option for this bunch. Our top advisors are sniffing out solid income opportunities everywhere from muni bonds to blue-chip dividend stocks to real estate investment trusts.

The Top 1,200, drawn from all 50 states plus the District of Columbia, are fielding plenty of other questions these days, too -- from the outlook for energy stocks to the chances of economic improvement in Europe and China to emerging markets in general. It's a full plate, but these advisors have solid track records of spotting opportunity and heading off trouble.

In this special report, we provide complete listings of the top financial advisors in each state. These are the most comprehensive of all the advisor listings we run each year. We also delve into the thinking of the state leaders in 51 profiles. Some 17 states have new No. 1 advisors this year.

Like Cheap Stocks? 4% Yields? Look Overseas

The rankings, covering advisors at Wall Street firms and independent outfits, are based on assets under management, revenues generated by advisors for their firms, and quality of practices. In evaluating advisors, we examine regulatory records, internal company documents, and extensive questionnaires filled out by the advisors themselves.

Investment performance is not an explicit criterion because the advisors pursue a wide range of investment goals for their clients. Since their clients are typically wealthy, advisors may simply focus on preserving their assets.

Our Top 1,200 are managing more assets than they did last year, thanks to both rising markets and new clients. The average advisor and his or her team this year manages $2.42 billion, up from $2.16 billion in 2014 and $2.14 billion in 2013. Revenues have risen accordingly, to $7 million from $6 million last year.

Meanwhile, the teams themselves are growing in size. The average advisory team is now about 11 people, up from eight a few years ago.

THIS YEAR'S BIG MOVERS include Gregory Vaughan, who vaulted to the top spot in California from No. 4 last year. Vaughan and his veteran team, based in Menlo Park, benefited from the burgeoning initial-public-offering and mergers-and-acquisitions environment in the tech sector. As tech executives' private stock becomes public shares, they've been turning to the Morgan Stanley team for guidance.

Others who made the jump to the top of their state's ranking include Patrick Dwyer, in Florida; Dan Pinkerton, in Idaho; Jeremiah Burns, in Maine; Robert Bonfiglio, in New Hampshire; Mark Lippman, in New Jersey; Judith McGee, in Oregon; and Joseph Montgomery, in Virginia.

When it comes to portfolio returns, our 2015 top advisors have a tough act to follow. Stocks and bonds creamed expectations last year: The Standard & Poor's 500 rose 11.4%, and the Barclays U.S. Aggregate Bond Index climbed 6%, its best showing in three years.

So far in 2015, the S&P is up just 2%, and the Barclays bond measure is up 0.7%. To find extra juice for their clients' portfolios, our advisors are looking toward sectors that have been buffeted by bad news, including Europe, the oil industry, and emerging markets. They're also avoiding undue risk -- investing heavily in domestic blue-chip stocks, and in many cases maintaining a significant allocation to bonds.

If there's one thing that just about all of our top advisors agree on, it's that the stock market is unlikely to repeat its strong performance of 2014 -- much less hold a candle to 2013's 30% returns.

Still, advisors like Jeremiah Burns, in Portland, Maine, see plenty of room for the bull market to run. Burns believes that pensions and endowments will have to increase their exposure to stocks in order to earn their required returns; that should provide a market tail wind, he says.

A big question this year is whether blue-chip companies can maintain their momentum from last year. McGee is not so sure: “People will [typically] overweight to yesterday’s returns and that’s always the risk.”

At least one advisor believes that U.S. stocks are overvalued. “We’re scaling back our equity positions and raising some cash,” says Donald Lucci, in Charleston, W.Va.

James B. Stack, in Whitefish, Mont., says his team is focusing more on defensive sectors that tend to perform well in the final third of a bull market. Those include health care and consumer staples. One area he’s cautious about: consumer discretionary -- think furniture, apparel, or travel companies -- which has been hot but figures to cool off rapidly at signs of a bear market.

Many of our Top 1,200 are looking abroad in search of opportunity. “Both Europe and China have started to represent some pretty fantastic relative values compared with the U.S.,” says Eric Morgan, in Seattle.

Advisors like Charles Zhang, in Portage, Mich., see promise in emerging markets. He recently moved from underweight to overweight the asset class based on attractive valuations.

Meanwhile, more advisors are questioning the conventional wisdom that interest rates will spike in the short term. With its economy outstripping so many regions of the globe, the U.S. figures to remain a destination for overseas investors -- and that demand should keep a lid on rates, they argue.

Illo: Robert Neubecker for Barron's

The low-rate environment “forces investors to take on more risk and own greater equity exposure,” says Vaughan. “When I got in the business, the 10-year Treasury yield was over 13%,” he says. “That made investing pretty simple.”

Today, Vaughan is beating anemic Treasuries by owning companies that are well diversified, have strong balance sheets, pay out a good portion of their earnings through dividends, and increase those dividends on a regular basis.

A number of this year’s top advisors report that clients are increasingly concerned about higher taxes, both now and potentially in the future. As always, they are recommending strategies to minimize tax liabilities. But Burns and others believe that higher rates will ultimately compel investors to alter their behavior -- by trading less, for example.

“If investors are facing a 25% capital-gains tax and a 10% state tax, for example, they’re not going to be inclined to sell things,” Burns says.

Finally, some of our advisors say they smell opportunity in the oil patch. Valuations have been crushed of late, but Burns expects oil to get off the mat. “I suspect that a year from now, we won’t be lower than where we are today,” he says.

For his part, Vaughan is playing the oil story in indirect fashion: Lower oil prices, he says, are generating a lot of extra cash for consumers. “That should help big retailers that focus on the mass market,” he says. “We’re overweighted to such companies.”

Illo: Robert Neubecker for Barron's

To hear more from Vaughan and his fellow top advisors, read on.

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NEWEST OLDEST

DAVID McCORMICK

Feb 22, 2015

While the fundamentally much of the stock market may be over-valued, the technical side of the market may suggest there is still more upside in common stocks than in bonds, cash or "near" cash. It may not be time to buy shares, but it may not be time to sell, either. Some advisors like James Stack acknowledge over valuation while observing the "technical indicators" say the "bull market" is still in place. As a 30+ year subscriber of Mr. Stack, I'll ride this trolley car a bit longer. As a trader on my own account, I've attended every train wreck on the NYSE since before the Penn Central. I have little doubt we will get there in time. Best wishes.

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Steven Palmer

Feb 21, 2015

I would love Barron's to actually report how much of these assets are actually managed vs just held by these advisors. That way it could be comparable to RIAs who manage assets for individuals on a discretionary basis.