PRACTICE PROFILE

It’s the right thing to do

Charles Zhang of Zhang Financial

BY BRIDGET MCCREA

Even as he was carving out a successful niche for himself as an IDS Financial Services advisor, Charles Zhang knew that his goal was to operate his own firm in order to give clients a broader breadth of investment options. But first, he would learn the ropes of the profession as part of American Express’s financial planning unit, which later changed its name from IDS to American Express Financial Advisors and then Ameriprise.

Currently founder and president of Zhang Financial in Portage, MI, Zhang quickly excelled in the financial planning profession. In 1991, he finished his first year as the #1 advisor out of 1,000 new recruits into the American Express program. The following year, he became a franchise owner (after initially signing on as an independent contractor).

Zhang would eventually become a member of the firm’s president’s advisory council and from 1997 through 2006 was ranked either #1 (six times) or #2 (four times) in the nation among all 10,000-plus American Express advisors.

He credits his wife Lynn Chen-Zhang, Zhang Financial’s CEO, with helping him make the best possible career decision. "I was considering earning my Ph.D., but Lynn helped me see the value of getting into practical, hands-on work in the financial field," says Zhang.

"We knew that if that didn’t work out, I’d always be able to return to school, earn my Ph.D., and become a professor."

Zhang Financial, at a glance

Location: Portage, MI Website: zhangfinancial.com Year founded: 1992
Number of staff: 40
Number of clients: 1,500+
Amount of money managed: $4.5 billion

Description of typical clients: $2 million to $50 million in investable assets, younger clients in tech or startups, pre-retirees and Fortune 500 executives.

Typical client needs: Sound financial advice, tax planning, and retirement planning.

Favorite financial planning website: napfa.org

Favorite nonfinancial planning website: espn.com

Piece of advice to fellow NAPFA members: "Build a team, because you can’t do everything by yourself. The best approach is to pick something to specialize in and then rely on team members to handle the rest. Right now, I’m specializing in asset management, and I let other people do the tax planning, trust management, comprehensive financial planning, and insurance planning. Also, know your clients well and strategize and think creatively."

Branching out

By late 2007, Zhang was itching to get out on his own and become a truly independent advisor. American Express Financial Advisors offered both support and training but was limited in the types of investments it offered clients.

"My clients had become more sophisticated and were looking for better solutions and products, including lower-cost investment vehicles," says Zhang. Working under American Express, he couldn’t offer his clients investment management through companies that he thought had something strong to offer, such as Vanguard Mutual Funds and Dimensional Fund Advisors.

Familiar with NAPFA, its members, and their commitment to serving as fiduciaries for their clients, Zhang recalls being most interested in exploring the fee-only route. However, his first move was to strike out on his own while maintaining his firm’s Series 7 and insurance licenses. He says all of his existing clients moved along with him. In 2010, he was ready for yet another transition—this time to fee-only. "I started to think that to truly be the best for our clients," says Zhang, "we needed to be fee-only advisors."

Giving back

Charles and Lynn Zhang have always focused on giving back to their community and to the organizations that are near and dear to their hearts. Over the last 10 years, the Zhangs have donated over $15 million to various charitable organizations.

A few of the beneficiaries from their philanthropy include the Charles and Lynn Zhang Portage Community Senior Center, the Charles and Lynn Zhang Animal Care and Resource Center for the Kalamazoo Humane Society, Western Michigan University (WMU), Columbia University, Harvard University, and the University of Michigan (with the endowment of the Zhang Lectureship in Adult Cardiac Surgery).

In 2009, the Zhang Career Center within WMU's Haworth College of Business opened. The career center is a dedicated space within the college for business students to connect with career advisors and employers. The center offers a one-stop shop for career-related information for students and employers. From broad and specialized career fairs to resume critiques and private interview suites, the center is known for its array of activities connecting talented students with hiring organizations. Since opening, the center has been involved with nearly 25,000 student interactions; provides career and college major coaching to over 1,500 students annually; and actively engages 90% of WMU's students within six months of their graduation dates.

Making the switch

By January 2013, Zhang had dropped all of his company's commission-based licenses, registered with the SEC, and joined NAPFA. "I always wanted to be a NAPFA advisor. I look at different associations, and NAPFA has the highest standards," says Zhang, who today is the top-ranked independent financial planner in the country based on both the *Forbes and Barron's* rankings.

"I believe in giving people more and taking less," he explains. "I want to make sure my advice and products are competitive, and being fee-only is very competitive."

When Zhang Financial left American Express, his firm's total AUM was less than $800 million. Today it's $4.5 billion, with more than 1,500 clients and 40 employees, including seven CPAs. Since inception, the firm has added tax services that provide year-end projections, planning, and some tax return support.

"We try not to replace a CPA, but if a client wants to use us for tax services, we can meet that need," says Zhang. With Lynn Chen-Zhang's multifaceted expertise as a CPA, CFP®, NAPFA member, and national employee stock option expert, the firm is well equipped to help its clients work through myriad complex financial issues.

Diversity counts

Zhang Financial's employee base includes about 30% to 40% minority professionals and a 50-50 gender mix. The Zhangs are committed to helping increase diversity within the profession. A trustee for Western Michigan University (WMU), Lynn Chen-Zhang presented in 2021 to an audience of 800+ people for a *Barron's* conference. There, she talked about how the lack of diversity in the financial profession can add to economic inequality.

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"Many young people from disadvantaged backgrounds don't have the opportunity to be exposed to the possibility of a job in the financial field," Chen-Zhang says. "As a result, the student body that's studying finance in college is not diversified."

Zhang Financial does its part by employing people from many different backgrounds, Chen-Zhang says. In addition, the couple established the Charles and Lynn Zhang Career Center, at WMU's Haworth College of Business (see "Giving back" sidebar for details).

Knowing the client's world

Zhang Financial's typical clients have $2 million to $50 million in investable assets, and a number of them work for tech startups and Silicon Valley companies. Many are in their 30s and 40s and have millions in stock options in their futures, for which they need advice and long-term planning.

> Zhang is aiming for growth, but the right growth, and he believes in spreading the message about the benefits of working with a NAPFA member to any prospective client.

The company also serves a broad base of pre-retirees, Fortune 500 executives, and retirees. "We do a risk assessment first and then work to truly understand the clients and their goals," says Zhang. "We get to know our client's world."

The firm always seeks out low-cost investment vehicles. Zhang Financial investments include ETFs with expense ratios that average less than five basis points (0.05%) and mutual funds that average 10 basis points (0.10%). "We're looking for investments that are consistent with benchmarks or better; that's the key," Zhang explains. "We believe in long-term premiums across value and small cap, which is why we overweight these asset classes."

Refer one another

Looking ahead, Zhang expects the firm to reach $10 billion in AUM within the next five to seven years, during which time he'll also focus on maintaining the company's current 99.5% year-over-year client retention rate.

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When Zhang hears from out-of-state prospects who need a financial planner but don't meet the firm's asset minimums, he points them right to the NAPFA website. "I tell them to put in their zip code and find a fee-only planner within 50 miles of their location," says Zhang. "I do this because I truly believe people who work with NAPFA fee-only advisors are far better off than those who work with brokerage firms or commission-based advisors."

With a firm of this size comes added responsibility to provide continuity when he and his wife retire from day-to-day operations. He's laying out a succession plan that will find some staff members becoming partners and his son joining the firm. (Given that his son earned his undergraduate degree from Columbia University in economics and is currently attending Harvard for his law degree and planning to earn his MBA, Zhang Financial appears to be in good hands.)

"Growth is great, but it's secondary," he concludes. "Ultimately, our job is to solve problems and to help our clients achieve their financial goals."