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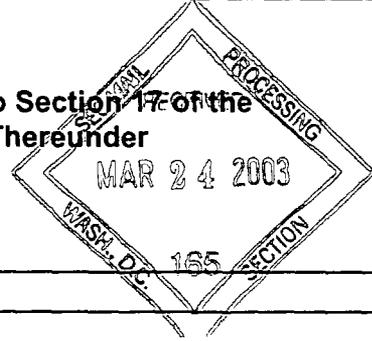
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-16791

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder



REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
American Express Financial Advisors, Inc.

OFFICIAL USE ONLY
006363
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

802 AXP Financial Center
(No. and Street)

Minneapolis
(City)

MN
(State)

55474
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
James D. Nygren (612) 671-2861

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Ernst & Young LLP

(Name - of individual, state last, first, middle name)

1400 Pillsbury Center
(Address)

Minneapolis
(City)

MN
(State)

55402
(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED
APR 03 2003

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THOMSON FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, David K. Stewart, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of American Express Financial Advisors, Inc., as of December 31, 2002 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



David K. Stewart
Signature
Vice President - Controller
Title

Renee A. Bobick
Notary Public

This report** contains (check all applicable boxes):

- X (a) Facing page.
- X (b) Statement of Financial Condition.
- X (c) Statement of Operations.
- X (d) Statement of Cash Flows.
- X (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- X (f) Statement of Changes in Liabilities Subordinated to Claims or Creditors.
- X (g) Computation of Net Capital.
- X (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- X (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A or Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- X (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- X (o) Independent auditor's report on internal accounting control.
- (p) Statement of Secured Amount and Funds Held in Separate Accounts for Foreign Futures and Options Customers Pursuant to Commission Regulation 30.7.
- X (q) Reconciliation of Assets, Liabilities and Stockholder's Equity to the Regulatory Report

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

American Express Financial Advisors Inc.

Consolidated Statements of Financial Condition

December 31,
(In thousands, except share amount)

	2002	2001	2000
Assets			
Cash and cash equivalents	\$280,662	\$311,117	\$311,170
Cash segregated under federal and other regulations	67,863	79,829	132,166
Investment securities available-for-sale	16,029	20,596	39,137
Receivables:			
Brokerage and other fees – affiliates	3,874	1,376	23,708
Financial advisors and employees (net of allowance for doubtful accounts of \$890 in 2002, \$833 in 2001 and \$1,028 in 2000)	1,979	2,476	3,370
Underwriting fees, distribution fees and other	21,757	21,189	12,178
Deferred acquisition costs	440,645	512,496	523,139
Secured demand note receivable from Parent	40,000	40,000	40,000
Land, building, equipment and software, less accumulated depreciation and amortization of \$146,165 in 2002, \$140,556 in 2001 and \$117,067 in 2000	88,249	106,991	122,467
Other assets	8,692	7,524	13,338
Total assets	\$969,750	\$1,103,594	\$1,220,673
Liabilities and Stockholder's Equity			
Liabilities:			
Accounts payable and accrued expenses:			
Due to affiliates	\$134,873	\$177,012	\$238,830
Field force compensation	49,290	54,353	104,116
Salaries and employee benefits	43,146	40,001	46,942
Unearned commissions	71,222	60,779	52,673
Other liabilities	75,945	83,360	49,126
Deferred income taxes	51,076	98,693	120,621
	425,552	514,198	612,308
Liabilities subordinated to the claims of general creditors	40,000	40,000	40,000
Stockholder's equity:			
Common stock \$10 par value per share:			
Authorized, issued and outstanding shares – 10,000	100	100	100
Additional paid-in capital	218,208	215,047	208,715
Accumulated other comprehensive income (loss), net of tax	794	555	(1,924)
Retained earnings	285,096	333,694	361,474
Total stockholder's equity	504,198	549,396	568,365
Total liabilities and stockholder's equity	\$969,750	\$1,103,594	\$1,220,673

See accompanying notes.