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WADDELL & REED FINANCIAL INC
Form 11-K
June 28, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

Commission file number 001-13913

WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN
(Full title of the Plan)

WADDELL & REED FINANCIAL, INC.
6300 Lamar Avenue
Overland Park, Kansas 66202
913-236-2000
(Name of issuer of securities held pursuant to the Plan)

WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN

Financial Statements and Schedule

December 31, 2001 and 2000

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

The Plan Administrators
Waddell & Reed Financial, Inc.
401(k) and Thrift Plan:

We have audited the accompanying statements of net assets available for benefits of Waddell & Reed Financial, Inc. 401(k) and Thrift Plan as of December 31, 2001

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and 2000, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Waddell & Reed Financial, Inc. 401(k) and Thrift Plan as of December 31, 2001 and 2000, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplementary schedule is the responsibility of the Plan's management. The supplementary schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

May 17, 2002

WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN

Statements of Net Assets Available for Benefits

December 31, 2001 and 2000

	2001	2000
	-----	-----
Investments (note 4)	\$ 67,549,374	73,3
Receivable from participating employees	139,935	1
Receivable from participating employers	288,636	2
	-----	-----
Net assets available for benefits	\$ 67,977,945	73,7
	=====	=====

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See accompanying notes to financial statements.

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WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2001 and 2000

	2001	2000
	-----	-----
Investment income:		
Dividends - stock	\$ 157,001	13
Dividends on mutual funds	1,656,313	10,82
Net depreciation of investments (note 4)	(10,192,169)	(7,70
	-----	-----
Investment income	(8,378,855)	3,26
	-----	-----
Contributions (note 5):		
Employees	4,623,530	4,19
Employers	2,291,235	2,09
Employee rollovers	240,620	
	-----	-----
	7,155,385	6,30
	-----	-----
Withdrawals	(4,567,834)	(9,50
	-----	-----
Net increase (decrease)	(5,791,304)	5
	-----	-----
Net assets available for benefits:		
Beginning of year	73,769,249	73,71
	-----	-----
End of year	\$ 67,977,945	73,76
	=====	=====

See accompanying notes to financial statements.

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WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting and present the net assets available

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for benefits and changes in those net assets of the Waddell & Reed Financial, Inc. 401(k) and Thrift Plan (the "Plan").

The Plan allows contributions to be invested in mutual fund shares and Waddell & Reed Financial, Inc. common stock. The Waddell & Reed Advisors Group of Mutual Funds and the W&R Funds are managed by Waddell & Reed Investment Management Company, which is a participating employer in the Plan. Fiduciary Trust Company of New Hampshire serves as Trustee for the Plan.

The Plan had 1,292 and 1,168 participants at December 31, 2001 and 2000, respectively. At December 31, 2001, 187 of the 1,292 participants in the Plan are former employees who have elected not to withdraw from the Plan.

(b) VALUATION OF SECURITIES

Investments in mutual fund shares are stated at net asset value based upon market quotations as of December 31, 2001 and 2000. Torchmark Corporation common stock and Waddell & Reed Financial, Inc. common stock are stated at market value based upon market quotations as of December 31, 2001 and 2000. Securities transactions are recorded on the trade date (the date the order to buy or sell is executed).

(c) DIVIDEND INCOME

Dividend income is recorded on the ex-dividend date.

(d) ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the participating employers, which are listed in note 4.

(e) FORFEITURES

Forfeitures are held by the Plan and are then used to reduce the employer's current year expense. Forfeitures used to reduce employer expenses were \$5,837 and \$5,596 for 2001 and 2000, respectively.

(f) FEDERAL INCOME TAXES

The Plan received a favorable determination letter from the Internal Revenue Service, dated April 24, 2001, indicating that it is qualified under Section 401(a) of the Internal Revenue Code and, therefore, the related trust is exempt from tax under Section 501(a) of the Internal Revenue Code.

The Plan Administrator is not aware of any activity or transactions that may adversely affect the qualified status of the Plan.

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(g) USE OF ESTIMATES

The Plan Administrator has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(2) DESCRIPTION OF PLAN

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan Agreement for more complete information.

The Plan is a defined contribution plan covering substantially all employees of Waddell & Reed Financial, Inc. and subsidiaries. The Plan complies with the provisions of the Employee Retirement Income Security Act of 1974, as amended. Plan administration is accomplished through a committee of three persons who have authority to arbitrate disputes and settle claims arising under the Plan.

(a) CONTRIBUTIONS

Employees are allowed to make pre-tax and after-tax contributions to the Plan. Employees may contribute a maximum of 21% of eligible earnings to the Plan. Each eligible employee may make "Matched Contributions" ranging from 1% to 5% of eligible earnings to the 401(k) component of the Plan. The Plan provides for a matching employer contribution of 100% of the first 3% of the employee's contribution and a 50% match of the next 2% of the employee's contribution. Employees may make "Unmatched Contributions" to the Plan not to exceed 10% of eligible earnings. Each eligible employee is also allowed to make "Unmatched Contributions" ranging from 1% to 6% of eligible earnings to the thrift component (after-tax) of the Plan.

(b) BENEFITS

Employees are fully vested as to their own contributions. Prior to January 1, 1999, vesting in employer contributions was graduated to 100% after six years of employment. Effective January 1, 1999, all future employer matching contributions are fully vested at the time of the contribution. The vested portion of a participant's account balance is paid in a Joint and 50% Survivor Annuity upon retirement, death, or other termination of employment, unless a participant chooses a lump-sum distribution. The nonvested portion of employer contributions made prior to January 1, 1999 is retained by the Plan until the separated participant incurs a "break in service," at which time the remaining account balance is forfeited and applied to reduce the employer's expense.

In accordance with regulations of the Internal Revenue Service, in the event the Plan is terminated, all participants would immediately become fully vested in their employer contribution accounts and Plan assets would be distributed. Waddell & Reed Financial, Inc. does not intend to terminate the Plan.

The Plan Administrator was not notified of any participants electing to withdraw from the Plan as of December 31, 2001.

WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(3) ACQUISITIONS

On March 31, 2000, the Legend Group was acquired by the Plan sponsor. An eligible employee who was a participant in the Legend Services Corporation 401(k) Profit Sharing Plan at the date of the acquisition became eligible to participate in the Plan on April 1, 2000. An eligible employee who was employed by the Legend Group on March 31, 2000, and who was not a participant in the Legend Services Corporation 401(k) Profit Sharing Plan, became eligible to participate in the Plan on an entry date not earlier than April 1, 2000 or the next following date on which the participant completes one-half year of service with the Legend Group. There were no rollover contributions by employees of the Legend Group during 2000.

On August 9, 1999, the Plan sponsor acquired Austin Calvert & Flavin, Inc. ("ACF"). Employees of ACF became eligible to participate in the Plan on August 6, 2000. There were no rollover contributions by employees of ACF during 2000.

(4) TORCHMARK CORPORATION COMMON STOCK, WADDELL & REED FINANCIAL, INC. CLASS A COMMON STOCK, WADDELL & REED FINANCIAL, INC. CLASS B COMMON STOCK, WADDELL & REED ADVISORS GROUP OF MUTUAL FUNDS, AND W&R FUNDS, INC.

In July 2000, the United Group of Mutual Funds and Waddell & Reed Funds, Inc. were renamed the Waddell & Reed Advisors Group of Mutual Funds and W&R Funds, Inc., respectively.

In April 2001, the stockholders of Waddell & Reed Financial, Inc. Class A and Class B common stock approved the combination of the two classes of common stock by converting shares of the Class B common stock into shares of Class A common stock on a one-for-one basis. Effective as of the end of business on April 30, 2001, each share of Class B common stock was converted into one share of Class A common stock. Waddell & Reed Financial, Inc. terminated the registration of Class B common stock under the Securities Exchange Act of 1934, as amended, and the Class B common stock is no longer listed or traded on the New York Stock Exchange.

WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN

Notes to Financial Statements

December 31, 2001 and 2000

The following table presents the number of shares and fair value of Torchmark Corporation common stock, Waddell & Reed Financial, Inc. Class A and Class B common stock, and mutual fund investments as of December 31, 2001 and 2000.

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Investments that represent 5% or more of the Plan's net assets are separately identified.

DECEMBER 31, 2001	NUMBER OF SHARES
Torchmark Corporation common stock	66,078 \$
Waddell & Reed Financial, Inc. common stock	312,376
Cash	--
 Waddell & Reed Advisors Group of Mutual Funds shares:	
Waddell & Reed Advisors Cash Management	6,210,187
Waddell & Reed Advisors Core Investment	1,985,742
Waddell & Reed Advisors International Growth	722,242
Waddell & Reed Advisors New Concepts	902,749
Waddell & Reed Advisors Science and Technology	628,954
Other Waddell & Reed Advisors Funds	2,424,087
Total Waddell & Reed Advisors Group of Mutual Funds shares	
W&R Funds, Inc. shares	280,909
Total investments	\$

DECEMBER 31, 2000	NUMBER OF SHARES
Torchmark Corporation common stock	91,418 \$
Waddell & Reed Financial, Inc. Class A common stock	231,041
Waddell & Reed Financial, Inc. Class B common stock	90,940
Cash	
 Waddell & Reed Advisors Group of Mutual Funds shares:	
Waddell & Reed Advisors Cash Management	5,424,935
Waddell & Reed Advisors Core Investment	1,892,510
Waddell & Reed Advisors International Growth	736,432
Waddell & Reed Advisors New Concepts	870,946
Waddell & Reed Advisors Science and Technology	590,089
Other Waddell & Reed Advisors Funds	2,014,612
Total Waddell & Reed Advisors Group of Mutual Funds shares	
W&R Funds, Inc. shares	238,777
Total investments	\$

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WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN

Notes to Financial Statements

December 31, 2001 and 2000

During 2001 and 2000, the Plan's investments (including investments bought and sold, as well as held during the year) appreciated (depreciated) as follows:

		2001

Torchmark Corporation common stock	\$	118,705
Waddell & Reed Class A common stock		(1,042,502)
Waddell & Reed Class B common stock		(645,534)
Waddell & Reed Advisors Group of Mutual Funds:		
Accumulative		(713,483)
Asset Strategy		(60,265)
Bond		9,790
Continental Income		(27,758)
Government Securities		17,255
High Income		(18,550)
Global Bond Fund		59,896
Core Investment		(2,578,801)
International Growth		(1,306,028)
New Concepts		(1,513,282)
Retirement Shares		(103,775)
Science and Technology		(973,209)
Small Cap		(116,679)
Value		30,705
Vanguard		(729,571)

Total Waddell & Reed Advisors Group of Mutual Funds		(8,023,755)

W&R Funds, Inc.:		
Asset Strategy		(3,471)
Small Cap Growth		(9,783)
High Income		112
International Growth		(235,178)
Large Cap Growth		(81,447)
Limited Term Bond		142
Mid Cap Growth		(22,999)
Science and Technology		(206,224)
Core Equity		(40,235)

Total W&R Funds, Inc.		(599,083)

Net depreciation	\$	(10,192,169)
		=====

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WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(5) CONTRIBUTIONS BY PARTICIPANTS AND PARTICIPATING EMPLOYERS

The contributions of each participating employer and its employees for the years ended December 31 are as follows:

		2001		2000
		EMPLOYEE	EMPLOYER	EMPLOYEE
Waddell & Reed Financial, Inc.	\$	60,976	33,482	22,377
Waddell & Reed, Inc.		2,660,971	1,236,292	2,506,042
Waddell & Reed Investment Management Company		721,751	377,917	677,946
Waddell & Reed Services Company		754,429	409,709	618,718
The Legend Group		281,466	133,765	261,213
Austin Calvert & Flavin, Inc.		143,937	100,070	111,305
	\$	4,623,530	2,291,235	4,197,601

(6) RELATED PARTY TRANSACTIONS

Plan investments include shares of mutual funds managed by Waddell & Reed Investment Management Company, as well as shares of Class A and Class B common stock of Waddell & Reed Financial, Inc. Waddell & Reed Financial, Inc. is the sponsor, as defined by the Plan, and, therefore, these transactions qualify as party-in-interest.

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SCHEDULE 1

WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN

Schedule of Assets Held for Investment Purposes

December 31, 2001

IDENTITY OF ISSUER, BORROWER, LESSOR, OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT
* Cash	
* Torchmark Corporation	66,078 shares of common stock

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*	Waddell & Reed Financial, Inc.	312,376 shares of common stock
*	Waddell & Reed Advisors Group of Mutual Funds	393,745 shares of Accumulative
*	Waddell & Reed Advisors Group of Mutual Funds	97,750 shares of Asset Strategy
*	Waddell & Reed Advisors Group of Mutual Funds	98,495 shares of Bond
*	Waddell & Reed Advisors Group of Mutual Funds	42,048 shares of Continental Income
*	Waddell & Reed Advisors Group of Mutual Funds	6,210,187 shares of Cash Management
*	Waddell & Reed Advisors Group of Mutual Funds	131,106 shares of High Income
*	Waddell & Reed Advisors Group of Mutual Funds	690,197 shares of Global Bond
*	Waddell & Reed Advisors Group of Mutual Funds	1,985,742 shares of Core Investment
*	Waddell & Reed Advisors Group of Mutual Funds	722,242 shares of International Growth
*	Waddell & Reed Advisors Group of Mutual Funds	902,749 shares of New Concepts
*	Waddell & Reed Advisors Group of Mutual Funds	106,534 shares of Retirement Shares
*	Waddell & Reed Advisors Group of Mutual Funds	273,799 shares of Small Cap
*	Waddell & Reed Advisors Group of Mutual Funds	628,954 shares of Science and Technol
*	Waddell & Reed Advisors Group of Mutual Funds	277,240 shares of Vanguard
*	Waddell & Reed Advisors Group of Mutual Funds	92,302 shares of Value
*	Waddell & Reed Advisors Group of Mutual Funds	220,871 shares of Government Securiti
Total Waddell & Reed Advisors Group of Mutual Funds		
*	W&R Funds, Inc.	2,648 shares of Asset Strategy
*	W&R Funds, Inc.	101,657 shares of Small Cap Growth
*	W&R Funds, Inc.	1,991 shares of High Income
*	W&R Funds, Inc.	57,013 shares of International Growth
*	W&R Funds, Inc.	932 shares of Limited Term Bond
*	W&R Funds, Inc.	73,671 shares of Science and Technol
*	W&R Funds, Inc.	7,911 shares of Core Equity
*	W&R Funds, Inc.	6,684 shares of Mid Cap Growth
*	W&R Funds, Inc.	28,402 shares of Large Cap Growth
Total W&R Funds, Inc.		
Total investments		

*Indicates party-in-interest investment.

See accompanying independent auditors' report.

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Administrative Committee of the Plan has duly caused this annual report to be signed on its behalf by the undersigned, hereunto duly authorized, in the City of Overland Park, State of Kansas, on June 25th, 2002.

WADDELL & REED FINANCIAL, INC.
401(K) AND THRIFT PLAN

By: /s/ John E. Sundeen, Jr.
John E. Sundeen, Jr., Member
Administrative Committee

By: /s/ Michael D. Strohm
Michael D. Strohm, Member
Administrative Committee

By: /s/ William D. Howey, Jr.
William D. Howey, Jr., Member
Administrative Committee