

WADDELL & REED FINANCIAL INC
Form S-8 POS
July 29, 2002

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As filed with the Securities and Exchange Commission on July 29, 2002.

Registration No. 333-65827

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**POST EFFECTIVE AMENDMENT NO. 4
TO
FORM S-8**

**REGISTRATION STATEMENT UNDER THE
SECURITIES ACT OF 1933**

WADDELL & REED FINANCIAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

51-0261715
(I.R.S. Employer
Identification No.)

**6300 Lamar Avenue
OVERLAND PARK, KANSAS
66202
(913) 236-2000**

(Address of Principal Executive Offices, including Zip Code)

**1998 EXECUTIVE DEFERRED COMPENSATION STOCK OPTION PLAN, AS
AMENDED AND RESTATED,
1998 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN, AS AMENDED AND
1998 STOCK INCENTIVE PLAN, AS AMENDED AND RESTATED**

(Full Title of the Plans)

**DANIEL C. SCHULTE
SECRETARY
WADDELL & REED FINANCIAL, INC.
6300 LAMAR AVENUE
OVERLAND PARK, KANSAS 66202
(913) 236-2000**

(Name, Address, and Telephone Number,
including Area Code, of Agent for Service)

**COPY TO:
GLEN J. HETTINGER
HUGHES & LUCE, L.L.P.
1717 MAIN STREET, SUITE 2800
DALLAS, TEXAS 75201
(214) 939-5500**

13,345,947 SHARES

WADDELL & REED FINANCIAL, INC.

CLASS A COMMON STOCK

PROSPECTUS

TABLE OF CONTENTS

	<u>Page</u>
Available Information	2
Documents Incorporated by Reference	3
The Company	3
Risk Factors	4
Selling Stockholders	10
Plan of Distribution	19
Use of Proceeds	19
Legal Matters	19
Experts	19
Indemnification	19

July 26, 2002

PROSPECTUS

WADDELL & REED FINANCIAL, INC.

13,345,947 SHARES

CLASS A COMMON STOCK, \$.01 PAR VALUE

ACQUIRED PURSUANT TO THE WADDELL & REED FINANCIAL, INC.

1998 EXECUTIVE DEFERRED COMPENSATION STOCK OPTION PLAN, AS AMENDED AND RESTATED,

1998 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN, AS AMENDED AND

1998 STOCK INCENTIVE PLAN, AS AMENDED AND RESTATED

Our stockholders identified below under the caption "Selling Stockholders" may offer to sell up to 13,345,947 shares of our Class A common stock.

We have already issued to the selling stockholders the shares being offered by the selling stockholders, or we will issue the shares being offered by the selling stockholders prior to the sale of the shares. This offering is not part of the original issuance of the shares of Class A common stock. We will not receive any of the proceeds from the selling stockholders' sale of their shares. The selling stockholders may offer the shares in transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions, or through a combination of these methods. The selling stockholders may offer the shares at prices relating to the prevailing market prices or at negotiated prices.

The Class A common stock is quoted on the NYSE under the symbol "WDR." On July 22, 2002 the last sale price of the Class A common stock, as reported on the NYSE, was \$18.28 per share. Our principal executive offices are located at 6300 Lamar Ave., Overland Park, Kansas 66202 (telephone number: (913) 236-2000).

INVESTING IN THE CLASS A COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD PURCHASE ONLY IF YOU CAN AFFORD A COMPLETE LOSS. SEE "RISK FACTORS" BEGINNING ON PAGE 4.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if the prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different from that contained in this Prospectus. The selling stockholders may offer to sell, and seek offers to buy, shares of Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or of any sale of the Class A common stock.

This Prospectus is dated July 26, 2002.

AVAILABLE INFORMATION

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and, in accordance with that Act, file reports and other information with the United States Securities and Exchange Commission (the "SEC"). Reports, proxy statements, information statements, and other information may be inspected without charge at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549-1004 and at the following regional offices of the SEC: Northeast Regional Office, 233 Broadway, New York, New York 10279; and Midwest Regional Office, 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604. Copies of these filing materials may be obtained from the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Information on the operation of the Public Reference Section is available by calling the SEC at 1-800-SEC-0330. Reports, proxy statements, information statements, and other information can also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005. The SEC maintains a Web site that contains information filed with the SEC. The SEC's Web site address is <http://www.sec.gov>.

In addition, our Annual Report on Form 10-K for the year ended December 31, 2001 (without exhibits) is available via the Internet at our Web site (<http://www.waddell.com>). We intend to furnish our stockholders with annual reports containing audited financial statements and such other periodic reports as we may determine to furnish or as may be required by law.

We have filed with the SEC a Registration Statement on Form S-8, with exhibits thereto, under the Securities Act of 1933, as amended (the "Securities Act") with respect to the shares of Class A common stock offered by this Prospectus. This Prospectus does not contain all information set forth in the Registration Statement. Certain parts of the Registration Statement have been omitted in accordance with the rules and regulations of the SEC. For further information, reference is made to the Registration Statement which can be inspected at the public reference rooms at the offices of the SEC.

2

DOCUMENTS INCORPORATED BY REFERENCE

We will provide, without charge, to each person to whom a copy of this Prospectus is delivered, including any beneficial owner, upon the written or oral request of that person, a copy of any or all of the documents incorporated by reference into this Prospectus (other than exhibits to those documents, unless the exhibits are specifically incorporated by reference into the information that this Prospectus incorporates). Requests should be directed to:

Waddell & Reed Financial, Inc.
6300 Lamar Avenue
Overland Park, Kansas 66202
Attn: Secretary
(913) 236-2000

The following documents previously filed with the SEC pursuant to the Securities Act and the Exchange Act are incorporated into this Prospectus by reference and are deemed a part of this Prospectus:

- (a) Our Annual Report on Form 10-K for the year ended December 31, 2001;

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(b) Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002;

(c) The description of our Class A common stock contained in our Registration Statement on Form 8-A, filed with the SEC on February 27, 1998, including any amendment or report filed for the purpose of updating such description; and

(d) All reports filed by us pursuant to Sections 13(a) or 15(d) of the Exchange Act, since the filing of the above referenced Form 8-A on February 27, 1998.

All documents filed with the SEC by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering relating to this Prospectus will be deemed to be incorporated by reference into this Prospectus and to be a part of this Prospectus from the date of filing of those documents. Any statement incorporated or deemed to be incorporated by reference into this Prospectus will be deemed to be modified, replaced, or superseded for purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document, that also is or is deemed to be incorporated by reference into this Prospectus modifies, replaces, or supersedes that statement. Any statement so modified, replaced, or superseded will be deemed, except as so modified, replaced or superseded, to constitute a part of this Prospectus.

THE COMPANY

We were founded in 1937 and are the third oldest mutual fund complex in the United States, having introduced the United Group of Mutual Funds (now the Waddell & Reed Advisors Group of Mutual Funds) in 1940. We focus on selling investment products to middle income Americans through our sales force and select third party distributors. We are the exclusive underwriter and distributor of 47 mutual fund portfolios. Twenty of these funds make up the Waddell & Reed Advisors Group of Mutual Funds, twelve make up W&R Funds, Inc., twelve make up W&R Target Funds, Inc., and three make up Waddell & Reed InvestEd Portfolios, Inc. (collectively, the "Funds"). We also distribute underwritten variable annuities and life insurance issued by Nationwide Financial Services, Inc. ("Nationwide") to our customers. We sell front-end loaded and contingent deferred sales charge mutual fund products.

We are a Delaware corporation with our principal offices located at 6300 Lamar Avenue, Overland Park, Kansas 66202 (telephone number 913-236-2000).

3

RISK FACTORS

You should carefully consider the following risk factors and warnings before making an investment decision. The risks described below are not the only ones that we face. Additional risks of which we do not yet know or that we currently think are immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition, or results of operations could be materially adversely affected. In such case, the trading price of our Class A common stock could decline, and you may lose all or part of your investment. You should also refer to the other information set forth in this Prospectus.

This Prospectus contains or incorporates by reference certain forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Those risks include, among others, those listed under the risk factors set forth below. In evaluating forward-looking statements, you should specifically consider various factors, including the risks outlined below. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these statements are only predictions and we cannot guarantee future results, levels of activity, performance, or achievements. Actual events or results may differ materially.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "anticipates," "plans," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms or other comparable terminology.

Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements. We are under no duty to update any of the forward-looking statements after the date of this Prospectus in order to conform such statements to actual results.

THERE MAY BE ADVERSE EFFECTS ON OUR REVENUES, EARNINGS, AND PROSPECTS IF THE SECURITIES MARKETS DECLINE.

Our results of operations are affected by certain economic factors, including the level of the securities markets. We benefited from the favorable performance of the securities markets in recent years, which attracted a substantial increase in the investments in the securities markets. The securities markets have declined in recent months, however, and the continuation of adverse market conditions or continued volatility in the securities markets could result in investors withdrawing from the markets or decreasing their rate of investment, either of which could adversely affect our revenues, earnings, and growth prospects. Because our revenues are, to a large extent, investment management fees based on the value of assets under management, a decline in the value of these assets adversely affects our revenues. Our growth is dependent to a significant degree upon our ability to attract and retain mutual fund assets, and in an adverse economic environment, this may prove difficult. Our growth rate has varied from year to year and there can be no assurance that the average growth rates sustained in the recent past will continue. The combination of adverse markets reducing sales and investment management fees could compound on each other and materially affect earnings. Adverse conditions in the U.S. domestic stock market are particularly material to us due to the high concentration of assets under management in that market.

THERE MAY BE ADVERSE EFFECTS ON OUR REVENUES AND EARNINGS IF OUR FUNDS' PERFORMANCE DECLINES.

Success in the investment management and mutual fund businesses is dependent on the investment performance of client accounts. Good relative performance stimulates sales of the Funds' shares and

4

tends to keep redemptions low. Sales of the Funds' shares in turn generate higher management fees and distribution revenues. Good relative performance also attracts institutional and separate accounts. Conversely, poor relative performance results in decreased sales, increased redemptions of the Funds' shares, and the loss of institutional and separate accounts, resulting in decreases in revenues. Failure of our Funds to perform well could, therefore, have a material adverse effect on our revenues and earnings.

THERE MAY BE AN ADVERSE EFFECT ON OUR BUSINESS IF OUR INVESTORS REMOVE THE ASSETS WE MANAGE ON SHORT NOTICE.

A majority of our revenues are derived from investment management agreements with our Funds that, as required by law, are terminable on 60 days' notice. Each investment management agreement must be approved and renewed annually by the disinterested members of each Fund's board or its shareholders, as required by law. Some of these investment management agreements may not be renewed or may be terminated, and new agreements may be unavailable. In addition, mutual fund investors may redeem their investments in the Funds at any time without any prior notice. Investors can terminate their relationship with us, reduce the aggregate amount of assets under management, or shift their funds to other types of accounts with different rate structures for any number of reasons, including investment performance, changes in prevailing interest rates, and financial market performance. The decrease in revenues that could result from any such event could have a material adverse effect on our business.

OUR ABILITY TO HIRE AND RETAIN KEY PERSONNEL AND FINANCIAL ADVISORS IS SIGNIFICANT TO OUR SUCCESS.

Our continued success depends to a substantial degree on our ability to attract and retain qualified personnel to conduct our fund management and investment advisory business. The market for qualified fund managers, investment analysts, and financial advisors is extremely competitive. We are dependent on our sales force and select third party distributors to sell our mutual funds and other investment products. Our growth prospects will be directly affected by the quality, quantity and productivity of financial advisors we are able to successfully recruit and retain. There can be no assurances that we will be successful in our efforts to recruit and retain the required personnel.

WE COULD EXPERIENCE ADVERSE EFFECTS DUE TO STRONG COMPETITION FROM NUMEROUS AND SOMETIMES LARGER COMPANIES.

We compete with stock brokerage firms, investment banking firms, insurance companies, banks, Internet investment sites, and other financial institutions. Many of these companies not only offer mutual fund investments and services but also offer an ever-increasing number of other financial products and services. Many of our competitors have more products and product lines, services, and brand recognition and may also have substantially greater assets under management. Many larger mutual fund complexes have developed relationships with brokerage houses with large distribution networks, which may enable those fund complexes to reach broader client bases. In recent years, there has been a trend of consolidation in the mutual fund industry resulting in stronger competitors with greater financial resources than us. There has also been a trend toward online Internet financial services. If existing or potential customers decide to invest with our competitors instead of with us, our

market share, revenues and income would decline.

POTENTIAL MISUSE OF FUNDS AND INFORMATION IN THE POSSESSION OF OUR EMPLOYEES AND/OR FINANCIAL ADVISORS COULD RESULT IN LIABILITY TO OUR CLIENTS.

Our employees and financial advisors handle a significant amount of funds and financial and personal information for our clients. Although we have implemented a system of controls to minimize the risk of fraudulent taking or misuse of funds and information, there can be no assurance that our controls will be adequate or that a taking or misuse by our employees and/or financial advisors can be prevented. We could have liability in the event of a taking or misuse by our employees and/or financial advisors and we could also be subject to regulatory sanctions. Although we believe that we have adequately insured against these risks, there can be no assurance that our insurance will be maintained or that it will be adequate to meet any future liability.

THERE ARE NO ASSURANCES THAT WE WILL PAY FUTURE DIVIDENDS.

Our Board of Directors currently intends to continue to declare quarterly dividends on our Class A common stock; however, the declaration and payments of dividends is subject to the discretion of our Board. Any determination as to the payment of dividends, as well as the level of such dividends, will depend on, among other things:

general economic and business conditions;

our strategic plans;

our financial results and condition;

contractual, legal, and regulatory restrictions on the payment of dividends by us or our subsidiaries; and

such other factors as our Board of Directors may consider to be relevant.

We are a holding company and, as such, our ability to pay dividends is subject to the ability of our subsidiaries to provide us with cash. There can be no assurance that the current quarterly dividend level will be maintained or that we will pay any dividends in any future period.

REGULATORY RISK IS SUBSTANTIAL IN OUR BUSINESS.

Our investment management and broker-dealer business is heavily regulated. Noncompliance with applicable laws or regulations could result in sanctions being levied against us, including fines and censures, suspension, or expulsion from a certain jurisdiction or market or the revocation of licenses. Noncompliance with applicable laws or regulations would adversely affect our reputation, prospects, revenues, and earnings. In addition, changes in current laws or regulations or in governmental policies could adversely affect our operations, revenues, and earnings.

WE ARE AT RISK OF LITIGATION WHICH COULD RESULT IN SUBSTANTIAL COSTS TO US AND ADVERSELY IMPACT OUR EARNINGS.

As previously disclosed, we are in litigation with United Investors Life Insurance Company ("UILIC") in the Circuit Court of Jefferson County, Alabama over the terms of a disputed compensation agreement executed in July 1999 by UILIC and one of our subsidiaries, Waddell & Reed, Inc. ("W&R"), (the "Letter Agreement") and the replacement of UILIC variable annuity policies with Nationwide variable annuity policies by our customers.

On March 19, 2002, the jury found for UILIC, awarding compensatory damages of \$50.0 million. Jurors rejected plaintiff's demand for punitive damages and our demands for counterclaim damages. The jury did not allocate the compensatory damages between the two major causes of action.

On June 25, 2002 the Court entered an order denying our post-trial motions regarding the jury verdict, including our motions to disregard it and for a new trial. In addition, the Court found that

there was not a binding agreement between the companies regarding variable annuity basis point compensation pursuant to the Letter Agreement and ordered that UILIC was entitled to the funds that have been deposited with the Court since the entry of the jury verdict. Finally, the Court ruled in favor of the Company in denying a request by UILIC for an injunction preventing the replacement of UILIC variable annuity policies with Nationwide variable annuity policies by our customers.

The judgment has been stayed with the posting of an appeal bond with the Court in the amount of \$62.5 million. The Company has filed its notice of appeal with the Court and will appeal the jury verdict and the finding of the Court regarding the Letter Agreement to the Supreme Court of Alabama.

Management believes that the jury verdict is not supported by the evidence or case law in Alabama. Pending further developments, the size and nature of payments, if any, is unknown and not reasonably determinable; therefore no liability has been recorded in the consolidated financial statements of Waddell & Reed Financial, Inc.

Also previously disclosed, in June 2002 the New York Supreme Court confirmed the punitive damage award and reduced the compensatory damage award made by a NASD Dispute Resolution panel regarding a former W&R financial advisor who was terminated in 1997. The Court reduced the compensatory damages to \$1.08 million and confirmed the original punitive damage award of \$25 million. The judgment has been stayed with the posting of an appeal bond with the Court in the amount of \$28.7 million backed by a line of credit in the amount of \$36 million. The Company has filed its notice of appeal with the Court and will appeal the judgment to the Appellate Division of the New York Supreme Court.

In the opinion of management, the size and nature of the award, if any, is unknown and not reasonably determinable; therefore no liability has been recorded in the consolidated financial statements of Waddell & Reed Financial, Inc.

PROVISIONS OF OUR ORGANIZATIONAL DOCUMENTS COULD DETER TAKEOVER ATTEMPTS.

Under our Certificate of Incorporation, our Board of Directors has the authority, without action by our stockholders, to fix certain terms and issue shares of our Preferred Stock, par value \$1.00 per share. Actions of our Board of Directors pursuant to this authority may have the effect of delaying, deterring, or preventing a change in control of the Company. Other provisions in our Certificate of Incorporation and in our Bylaws impose procedural and other requirements that could be deemed to have anti-takeover effects, including replacing incumbent directors. Our Board of Directors is divided into three classes, each of which is to serve for a staggered three-year term after the initial classification and election and incumbent directors may not be removed without cause, all of which may make it more difficult for a third party to gain control of our Board. In addition, as a Delaware corporation we are subject to Section 203 of the Delaware General Corporation Law. With certain exceptions, Section 203 imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our voting stock.

OUR STOCKHOLDERS RIGHTS PLAN COULD DETER TAKEOVER ATTEMPTS.

Under certain conditions, the rights under our stockholders rights plan entitle the holders of such rights to receive shares of our Class A common stock having a value equal to two times the exercise price of the right. The rights are attached to each share of our outstanding Class A common stock and generally are exercisable only if a person or group acquires 15% or more of the voting power as represented by our Class A common stock. Our stockholders rights plan could impede the completion of a merger, tender offer, or other takeover attempt even though some or a majority of our stockholders might believe that a merger, tender offer, or takeover is in their best interests and even if

such transactions could result in our stockholders receiving a premium for their shares of our stock over the then current market price of our stock.

THE TERMS OF OUR CREDIT FACILITY IMPOSE RESTRICTIONS ON OUR OPERATIONS. THERE ARE NO ASSURANCES WE WILL BE ABLE TO RAISE ADDITIONAL CAPITAL.

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We have entered into a 364-day revolving credit facility with various lenders for a total of \$235.0 million, whereby the banks could, at their option upon our request, expand the facility to \$330.0 million. In August 2000, we also began utilizing money market loans, which function similarly to commercial paper. At July 22, 2002, there was no outstanding under the line of credit and the outstanding balance related to the money market loans was \$50.2 million. The terms and conditions of our revolving credit facility and the money market loans impose restrictions that affect, among other things, our ability to incur additional debt, make capital expenditures and acquisitions, merge, sell assets, pay dividends, and create or incur liens. Our ability to comply with the financial covenants set forth in the credit facility can be affected by events beyond our control and there can be no assurance that we will achieve operating results that will comply with such terms and conditions, a breach of which could result in a default under the credit facility. In the event of a default, the banks could elect to declare the outstanding principal amount of our credit facility, all interest thereon, and all other amounts payable under our credit facility to be immediately due and payable.

Our ability to meet our cash needs and satisfy our debt obligations will depend upon our future operating performance, asset values, perception of our creditworthiness, and indirectly, the market value of our stock. These factors will be affected by prevailing economic, financial and business conditions and other circumstances, some of which are beyond our control. We anticipate that borrowings from our existing credit facility or its refinancing and/or cash provided by operating activities will provide sufficient funds to finance our business plans, meet our operating expenses, and service our debt requirements as they become due. However, in the event that we require additional capital, there can be no assurance that we will be able to raise such capital when needed or on satisfactory terms, if at all, and there can be no assurance that we will be able to refinance our credit facility upon its maturity or on favorable terms. If we are unable to raise capital or obtain financing, we may be forced to incur unanticipated costs or revise our business plans.

SYSTEMS FAILURE MAY DISRUPT OUR BUSINESS.

Our business is highly dependent on communications and information systems, including our mutual fund transfer agency system maintained by a third party service provider. We are highly dependent on our ability to process a large number of transactions on a daily basis and also on the proper functioning of computer systems of third parties. We rely heavily on financial, accounting, and other data processing systems. If any of these do not function properly, we could suffer financial loss, business disruption, liability to clients, regulatory intervention, or damage to our reputation. If our systems are unable to accommodate an increasing volume of transactions, our ability to expand could be affected. Although we have back-up systems in place, we cannot be sure that any systems failure or interruption, whether caused by a fire, other natural disaster, power or telecommunications failure, acts of terrorism/war, or otherwise will not occur, or that back-up procedures and capabilities in the event of any failure or interruption will be adequate.

WE MAY HAVE DIFFICULTY EXECUTING OUR ACQUISITION STRATEGY, WHICH COULD NEGATIVELY IMPACT OUR GROWTH.

Our business strategy contemplates our selective pursuit of acquisitions and alliances that will add new products or alternative distribution systems to accelerate earnings growth. There can be no assurance that we will find suitable acquisition candidates at acceptable prices, have sufficient capital resources to realize our acquisition strategy, or be successful in entering into definitive agreements for

desired acquisitions. In addition, we have limited experience in finding, acquiring, and integrating other companies and we may not be successful in the integration of acquired companies. An acquisition may not prove to add new products or distribution systems or otherwise be advantageous to us.

OUR HOLDING COMPANY STRUCTURE RESULTS IN STRUCTURAL SUBORDINATION AND MAY AFFECT OUR ABILITY TO FUND OUR OPERATIONS AND MAKE PAYMENTS ON OUR DEBT.

We are a holding company and, accordingly, substantially all of our operations are conducted through our subsidiaries. As a result, our cash flow and our ability to service our debt, including our \$200.0 million principal amount 7.5% senior notes due 2006, are dependent upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments by our subsidiaries to us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on our debt or provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances to us by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, would be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

SELLING STOCKHOLDERS

The table below sets forth information with respect to the beneficial ownership of the Class A common stock of Waddell & Reed Financial, Inc. by the selling stockholders immediately prior to this offering. Of the selling stockholders, only Keith A. Tucker, Henry J. Herrmann and Robert L. Hechler own or have the right to acquire through exercise of stock options, on the date hereof, in excess of one percent of the outstanding Class A common stock. All information with respect to beneficial ownership has been furnished by the selling stockholders. The number of shares which may be sold by each selling stockholder from time to time will be updated in supplements to this Prospectus, which will be filed with the SEC in accordance with Rule 424(b) of the Securities Act.

Name	Relationship to Waddell & Reed Financial, Inc.	Class A Common Stock Owned as of July 22, 2002(1)	Shares to Be Sold(2)
Keith A. Tucker	Chairman of the Board, Chief Executive Officer and Director	3,218,149	270,000 (3)
			197,604 (4)
			828,611 (5)
			406,488 (6)
			511,212 (7)
			698,534 (8)
			246,150 (9)
			139,500(10)
			431,665(11)
			216,000(12)
			107,913(13)
			54,744(26)
			103,821(27)
			222,000(28)
891,430(29)			
100,193(38)			
28,349(39)			
200,000(40)			
Keith A. Tucker Children's Trust Agreement dated February 21, 2000		192,794	168,650(11)
			96,306(14)
			54,118(29)
			43,509(38)
Henry J. Herrmann	President, Chief Investment Officer and Director	1,777,327	516,900 (3)
			49,401 (4)
			198,554 (5)
			112,566 (6)
			389,603 (8)
			184,650 (9)
			209,250(10)
			377,501(11)
			162,000(12)
			80,934(13)
			19,640(27)
			195,000(28)
			487,008(29)
			154,958(38)
16,334(39)			
200,000(40)			

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Name	Relationship to Waddell & Reed Financial, Inc.	Class A Common Stock Owned as of July 22, 2002(1)	Shares to Be Sold(2)
Robert L. Hechler	Director	1,848,492	75,044 (5) 50,030 (6) 217,314 (8) 246,668(11) 15,223(27) 281,317(29) 139,000(41) 5,500(42) 49,401(49) 139,500(50) 153,900(51) 135,000(52) 67,446(53) 45,620(54) 139,000(55) 94,606(56) 8,528(57) 4,601(58) 438,300(59)
Dennis E. Logue	Director	5,900	5,500(43) 15,000(44) 4,538(46)
James M. Raines	Director	35,709	4,500(15) 4,500(16) 14,220(18) 12,072(19) 15,000(22) 18,461(23) 1,052(29) 8,245(30) 1,200(31) 5,500(32) 3,061(38) 5,500(42) 459(47)
Ronald C. Reimer	Director	6,358	15,000(35) 8,574(37) 5,500(42) 11,371(61)

10

11

William L. Rogers	Director	55,360	4,500(15) 4,500(16) 16,400(17) 13,998(19) 12,420(20)
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			15,000(21)
			8,920(29)
			9,575(30)
			2,422(31)
			5,500(32)
			5,500(42)
Jerry W. Walton	Director	22,587	15,000(24)
			5,500(32)
			5,556(33)
			9,490(34)
			253(36)
			5,500(42)
			9,502(48)
John E. Sundeen, Jr.	Senior Vice President, Chief Financial Officer and Treasurer	202,053	87,150 (3)
			25,014 (6)
			11,256 (8)
			60,000 (9)
			12,698(11)
			60,000(12)
			18,761(25)
			18,248(26)
			45,000(28)
			37,098(29)
			45,520(38)
			60,000(40)
			3,993(45)
Thomas W. Butch	Senior Vice President and Chief Marketing Officer	14,034	15,000(12)
			13,686(26)
			45,000(28)
			60,000(40)
			4,792(45)
			7,500(60)
12			
Michael D. Strohm	Senior Vice President and Chief Operations Officer	83,688	25,200 (3)
			15,635 (6)
			2,189 (8)
			11,250 (9)
			1,517(11)
			45,000(12)
			15,635(25)
			18,248(26)
			45,000(28)
			4,577(29)
			9,911(38)
			60,000(40)
			3,993(45)
Robert J. Williams, Jr.	Senior Vice President and National Sales Manager	167,102	92,700 (3)
			25,014 (6)
			40,500 (9)
			1,145(11)
			40,500(12)
			36,952(26)
			45,000(28)

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			12,791(29)
			23,426(38)
			60,000(40)
Mark A. Schieber	Vice President and Controller	720	1,500(12)
			3,000(28)
			4,500(40)
Daniel C. Schulte	Vice President, General Counsel and Secretary	1,160	2,250 (9)
			3,000(12)
			7,603(26)
			25,000(28)
			397(38)
			35,000(40)
			3,594(45)
Wendy J. Hills	Assistant Secretary	546	750 (9)
			3,000(28)
			71(38)
			3,500(40)
Brent K. Bloss	Assistant Vice President and Assistant Treasurer	100	0

(1)

In each case, the indicated number of shares of Class A common stock include both the number of shares held on the date indicated and the number of shares issuable upon exercise of stock options held by the selling stockholder within the next sixty days. Indirect beneficial ownership includes shares (a) owned by the director, executive officer or spouse as trustee of a trust or executor of an estate, (b) held in a trust in which the director, executive officer or a family member living in his home has a beneficial interest, or (c) owned by the director or executive officer in a personal corporation. Indirect beneficial ownership excludes 27,767, 1,196 and 3,105 shares held in the account of Messrs. Keith A. Tucker, Thomas W. Butch, and Michael D.

13

Strohm, respectively, in our 401(k) and Thrift Plan as of July 22, 2002. Indirect beneficial ownership for Mr. Tucker includes 1,616,180 shares owned by personal corporations, 1,468,942 shares subject to currently exercisable options owned by a revocable trust, 97,627 shares subject to currently exercisable options owned by Mr. Tucker's children's trust for which Mr. Tucker's wife serves as a co-trustee and 35,400 shares in Mr. Tucker's IRA. Indirect beneficial ownership for Mr. Herrmann includes 679,951 shares owned by a revocable trust, 999,749 shares subject to currently exercisable options, and 97,627 shares subject to currently exercisable options owned by Mr. Tucker's children's trust for which Mr. Herrmann serves as a co-trustee. Messrs. Tucker and Herrmann disclaim beneficial ownership as to the shares owned by Mr. Tucker's children's trust.

(2)

Assumes all the shares of Class A common stock that may be offered are sold.

(3)

These options were granted March 4, 1998 pursuant to the Stock Incentive Plan, as amended and restated (the "SI Plan"). These options are exercisable in three increments of 33.33% each commencing on March 4, 2000 and on each of the two anniversaries thereafter and expire on March 5, 2008. Of these options, Messrs. Tucker, Herrmann, Sundeen and Williams exercised options to purchase 90,000; 172,300; 20,148 and 515 shares, respectively, on August 1, 2000. Further, of these options, Messrs. Tucker, Herrmann, Sundeen and Williams exercised options to purchase 90,000; 172,300; 37,952 and 23,227 shares, respectively, on August 1, 2001.

(4)

These options were granted March 4, 1998 pursuant to the 1998 Executive Deferred Compensation Stock Option Plan, as amended and restated (the "EDC Plan"). These options are exercisable in ten increments of 10% each commencing on March 4, 1999 and on each of the nine anniversaries thereafter and expire on March 3, 2009. Of these options, Messrs. Tucker and Herrmann exercised options to purchase 39,522 and 9,881 shares, respectively, on August 1, 2000. Further, of these options, Messrs. Tucker and Herrmann

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exercised options to purchase 19,761 and 4,940 shares, respectively, on August 1, 2001.

- (5) These options were granted November 6, 1998 pursuant to the SI Plan in conjunction with our spin-off from Torchmark Corporation and were exercised on August 2, 1999.
- (6) These options were granted November 6, 1998 pursuant to the SI Plan in conjunction with our spin-off from Torchmark Corporation. These options were exercisable in two increments of 50% each on December 16, 1998 and December 16, 1999 and expire on December 17, 2006. Of these options, Messrs. Tucker, Herrmann, Hechler and Williams exercised options to purchase 25,511; 56,283; 25,016 and 1,580 shares, respectively, on August 2, 1999. Further, of these options, Messrs. Tucker, Herrmann, Hechler, Sundeen and Williams exercised options to purchase 380,977; 56,283; 25,014; 25,014 and 23,434 respectively, on August 1, 2000. Further, of these options, Mr. Strohm exercised options to purchase 14,678 on August 1, 2001.
- (7) These options were granted November 6, 1998 pursuant to the EDC Plan in connection with our spin-off from Torchmark Corporation. These options are exercisable in ten increments of 10% each commencing on January 31, 1998 and on each of the nine anniversaries thereafter and expire on January 30, 2008. Of these options, options to purchase 153,356 and 51,121 shares were exercised on August 1, 2000 and August 1, 2001, respectively.
- (8) These options were granted November 6, 1998 pursuant to the SI Plan in connection with our spin-off from Torchmark Corporation, were immediately exercisable and expire on September 26, 2007. Of these options, Messrs. Herrmann and Hechler exercised options to purchase 233,183 and 203,708 shares, respectively, on August 2, 1999. Further, of these options, Messrs. Tucker, Herrmann, Hechler and Sundeen exercised options to purchase 698,534; 156,420; 13,606 and 11,256 shares, respectively, on August 1, 2000.
- (9) These options were granted December 16, 1998 pursuant to the SI Plan. These options are exercisable in three increments of 33.33% each commencing on December 16, 2000 and on the two anniversaries thereafter and expire on December 17, 2008. Of these options, Messrs. Tucker, Herrmann, Sundeen, Williams, Schulte and Ms. Hills exercised options to purchase 82,050;
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- 61,550; 20,000; 13,500; 630 and 112 shares, respectively, on August 1, 2001. Further, of these options, Mr. Schulte exercised options to purchase 870 shares on February 5, 2002.
- (10) These options were granted December 16, 1998 pursuant to the EDC Plan. These options are exercisable in ten increments of 10% each commencing on December 16, 1999 and on each of the nine anniversaries thereafter and expire on December 15, 2009. Of these options, Messrs. Tucker and Herrmann exercised options to purchase 13,950 and 20,925 shares, respectively, on August 1, 2000. Further, of these options, Messrs. Tucker and Herrmann exercised options to purchase 13,950 and 20,925 shares, respectively, on August 1, 2001.
- (11) These options were granted August 2, 1999 pursuant to the SI Plan, became exercisable on February 2, 2000 and expire on August 3, 2009. Of these options, the Keith A. Tucker Children's Trust and Messrs. Tucker, Herrmann and Hechler exercised options to purchase 83,486; 400,306; 377,501 and 246,668 shares, respectively, on August 1, 2000. Further, of these options, the Keith A. Tucker Children's Trust and Messrs. Tucker and Sundeen exercised options to purchase 85,164; 31,359 and 12,698 shares, respectively, on August 1, 2001.
- (12) These options were granted December 10, 1999 pursuant to the SI Plan. These options are exercisable in three increments of 33.33% each commencing on December 10, 2001 and on each of the two anniversaries thereafter and expire on December 11, 2009. Of these options, Mr. Schulte exercised options to purchase 1,000 shares on February 5, 2001.
- (13) These options were granted December 10, 1999 pursuant to the SI Plan. These options are exercisable in ten increments of 10% each commencing on December 10, 2000 and on each of the nine anniversaries thereafter and expire on December 9, 2010. Of these options, Messrs. Tucker and Herrmann exercised options to purchase 10,792 and 8,094 shares, respectively, on August 1, 2001.

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- (14) These options were granted November 6, 1998 pursuant to the SI Plan in connection with our spin-off from Torchmark Corporation, were immediately exercisable and expire on September 26, 2007. Of these options, options to purchase 60,279 shares were exercised on August 2, 1999. Further, of these options, options to purchase 36,027 shares were exercised on August 1, 2000.
- (15) These options were granted January 4, 1999 pursuant to the SI Plan, became exercisable on July 4, 1999 and expire on January 5, 2009. Of these options, Mr. Rogers exercised options to purchase 4,500 shares on August 1, 2000 and Mr. Raines exercised options to purchase 1,279; 1,000 and 2,221 shares on December 6, 2000, December 12, 2000 and December 18, 2000, respectively.
- (16) These options were granted January 3, 2000 pursuant to the SI Plan, became exercisable on July 3, 2000 and expire on January 4, 2010. Of these options, Mr. Rogers exercised options to purchase 2,571 shares on August 1, 2000 and Mr. Raines exercised options to purchase 1,000; 2,000 and 1,500 shares on December 12, 2000, December 15, 2000 and December 18, 2000, respectively.
- (17) These options were granted April 23, 1998 pursuant to the 1998 Non-Employee Director Stock Option Plan, as amended (the "NED Plan"). These options are exercisable in ten annual increments of 10% each commencing on April 23, 1999 and on each of the nine anniversaries thereafter and expire on April 22, 2009. Of these options, options to purchase 3,280 shares were exercised on August 1, 2000.
- (18) These options were granted January 4, 1999 pursuant to the NED Plan. These options are exercisable in ten annual increments of 10% each commencing on January 4, 2000 and on each of the nine anniversaries thereafter and expire on January 3, 2010. Of these options, options to purchase 1,422 and 738 shares were exercised on December 6, 2000 and August 1, 2001, respectively.
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- (19) These options were granted January 3, 2000 pursuant to the NED Plan. These options are exercisable in ten annual increments of 10% each commencing on January 3, 2001 and on each of the nine anniversaries thereafter and expire on January 2, 2011.
- (20) These options were granted December 23, 1999 pursuant to the NED Plan. These options are exercisable in ten annual increments of 10% each commencing on December 23, 2000 and on each of the nine anniversaries thereafter and expire on December 22, 2010.
- (21) These options were granted April 15, 1998 pursuant to the SI Plan. These options are exercisable in three increments of 33.33% each commencing on March 4, 2000 and on each of the two anniversaries thereafter and expire on April 16, 2008. Of these options, options to purchase 5,000 shares were exercised on August 1, 2000.
- (22) These options were granted July 22, 1998 pursuant to the SI Plan. These options are exercisable in three increments of 33.33% each commencing on March 4, 2000 and on each of the two anniversaries thereafter and expire on July 23, 2008. Of these options, options to purchase 1,547; 3,453 and 5,000 shares were exercised on August 1, 2000, December 6, 2000 and August 1, 2001, respectively.
- (23) These options were granted August 5, 1998 pursuant to the NED Plan. These options are exercisable in ten annual increments of 10% each commencing on August 5, 1999 and on each of the nine anniversaries thereafter and expire on August 4, 2009. Of these options, options to purchase 1,847 and 1,846 shares were exercised on August 1, 2000 and December 6, 2000, respectively.
- (24) These options were granted May 1, 2000 pursuant to the SI Plan. The options are exercisable in three increments of 33.33% each commencing on May 1, 2002 and on each of the two anniversaries thereafter and expire on May 2, 2010.
- (25) These options were granted November 6, 1998 pursuant to the SI Plan in conjunction with our spin-off from Torchmark Corporation, were immediately exercisable and expire on December 21, 2005. Of these options, Messrs. Sundeen and Strohm each exercised options to purchase 18,342 and 2,186 shares, respectively, on August 2, 1999. Further, of these options, Messrs. Sundeen and Strohm exercised options to purchase 419 and 7,763 shares, respectively, on August 1, 2000. Further, of these options, Mr. Strohm exercised

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options to purchase 5,686 shares on August 1, 2001.

- (26) These options were granted December 6, 2000 pursuant to the EDC Plan. These options are exercisable in ten increments of 10% each commencing on December 6, 2001 and on each of the nine anniversaries thereafter and expire on December 5, 2011.
- (27) These options were granted August 1, 2000 pursuant to the EDC Plan, became exercisable on February 1, 2001 and expire August 2, 2010.
- (28) These options were granted December 6, 2000 pursuant to the SI Plan. These options are exercisable in three increments of 33.33% each commencing on December 6, 2002 and on each of the two anniversaries thereafter and expire on December 7, 2010.
- (29) These options were granted August 1, 2000 pursuant to the SI Plan, became exercisable February 1, 2001 and expire on August 2, 2010.
- (30) These options were granted January 2, 2001 pursuant to the NED Plan. These options are exercisable in ten annual increments of 10% each commencing on January 2, 2002 and on each of the nine anniversaries thereafter and expire on January 1, 2012.
- (31) These options were granted August 1, 2000 pursuant to the NED Plan, became exercisable February 1, 2001 and expire on August 2, 2010.

16

- (32) These options were granted January 2, 2001 pursuant to the SI Plan, became exercisable on July 2, 2001 and expire on January 3, 2011.
- (33) These options were granted July 13, 2000 pursuant to the NED Plan. These options are exercisable in ten annual increments of 10% each commencing on July 13, 2001 and on each of the nine anniversaries thereafter and expire on July 12, 2011.
- (34) These options were granted January 16, 2001 pursuant to the NED Plan. These options are exercisable in ten annual increments of 10% each commencing on January 16, 2002 and on each of the nine anniversaries thereafter and expire on January 15, 2012.
- (35) These options were granted March 5, 2001 pursuant to the SI Plan. These options are exercisable in three increments of 33.33% each commencing on March 5, 2003 and on each of the two anniversaries thereafter and expire on March 6, 2011.
- (36) These options were granted March 27, 2001 pursuant to the NED Plan. These options are exercisable in ten annual increments of 10% each commencing on March 27, 2002 and on each of the nine anniversaries thereafter and expire on March 26, 2012.
- (37) These options were granted June 18, 2001 pursuant to the NED Plan. These options are exercisable in ten annual increments of 10% each commencing on June 18, 2002 and on each of the nine anniversaries thereafter and expire on June 17, 2012.
- (38) These options were granted August 1, 2001 pursuant to the SI Plan, became exercisable February 1, 2002 and expire on August 2, 2011.
- (39) These options were granted August 1, 2001 pursuant to the EDC Plan, became exercisable February 1, 2002 and expire on August 2, 2011.

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- (40) These options were granted December 3, 2001 pursuant to the SI Plan. These options are exercisable in three increments of 33.33% each commencing on December 3, 2003 and on each of the two anniversaries thereafter and expire on December 4, 2011.
- (41) These options were granted December 3, 2001 pursuant to the SI Plan, were immediately exercisable and expire on December 4, 2011.
- (42) These options were granted January 2, 2002 pursuant to the SI Plan, became exercisable on July 2, 2002 and expire on January 3, 2012.
- (43) These options were granted January 17, 2002 pursuant to the SI Plan, became exercisable on July 17, 2002 and expire on January 18, 2012.
- (44) These options were granted January 17, 2002 pursuant to the SI Plan. These options are exercisable in three increments of 33.33% each commencing on January 17, 2004 and on each of the two anniversaries thereafter and expire on January 18, 2012.
- (45) These options were granted December 3, 2001 pursuant to the EDC Plan. These options are exercisable in ten increments of 10% each commencing on December 3, 2002 and on each of the nine anniversaries thereafter and expire on December 2, 2012.
- (46) These options were granted February 1, 2002 pursuant to the NED Plan. These options are exercisable in ten increments of 10% each commencing on February 1, 2003 and on each of the nine anniversaries thereafter and expire on January 31, 2013.
- (47) These options were granted August 1, 2001 pursuant to the NED Plan, became exercisable February 1, 2002 and expire on August 2, 2011.
- (48) These options were granted January 2, 2002 pursuant to the NED Plan. These options are exercisable in ten increments of 10% each commencing on January 2, 2003 and on each of the nine anniversaries thereafter and expire on January 1, 2013.

- (49) These options were granted March 4, 1998 pursuant to the EDC Plan. These options were exercisable in increments of 10% each commencing on March 4, 1999 and on each anniversary thereafter, fully vested December 28, 2001 and expire on March 3, 2009. Of these options, options to purchase 9,881 and 4,940 shares were exercised on August 1, 2000 and August 1, 2001, respectively.
- (50) These options were granted December 16, 1998 pursuant to the EDC Plan. These options were exercisable in increments of 10% each commencing on December 16, 1999 and on each anniversary thereafter, fully vested on December 28, 2001 and expire on December 15, 2009. Of these options, options to purchase 13,950 shares were exercised on August 1, 2000 and August 1, 2001.
- (51) These options were granted December 16, 1998 pursuant to the SI Plan. These options were exercisable in three increments of 33.33% each on December 16, 2000, December 16, 2001 and December 28, 2001 and expire on December 17, 2008. Of these options, options to purchase 51,300 shares were exercised on August 1, 2001.
- (52) These options were granted December 10, 1999 pursuant to the SI Plan, became fully exercisable on December 28, 2001 and expire on December 11, 2009.
- (53) These options were granted December 10, 1999 pursuant to the SI Plan. These options were exercisable in increments of 10% each commencing on December 10, 2000 and on each anniversary thereafter, fully vested on December 28, 2001 and expire on December 9, 2010. Of these options, options to purchase 6,745 shares were exercised on August 1, 2001.

- (54) These options were granted December 6, 2000 pursuant to the EDC Plan, became exercisable on December 28, 2001 and expire on December 5, 2011.
- (55) These options were granted December 6, 2000 pursuant to the SI Plan, became exercisable on December 28, 2001 and expire on December 7, 2010.
- (56) These options were granted August 1, 2001 pursuant to the SI Plan, became exercisable December 28, 2001 and expire on August 2, 2011.
- (57) These options were granted August 1, 2001 pursuant to the EDC Plan, became exercisable December 28, 2001 and expire on August 2, 2011.
- (58) These options were granted May 15, 2002 pursuant to the NED Plan. These options are exercisable in ten annual increments of 10% each commencing on May 15, 2003 and on each of the nine anniversaries thereafter and expire on May 14, 2013.
- (59) These options were granted March 4, 1998 pursuant to the SI Plan. These options are exercisable in three increments of 33.33% each on March 4, 2000, March 4, 2001 and December 28, 2001 and expire on March 5, 2008. Of these options, options to exercise 146,100 shares were exercised on August 1, 2000 and August 1, 2001.
- (60) These shares of restricted stock were granted November 15, 1999 pursuant to the SI Plan. These shares become exercisable in three increments of 33.33% each commencing on November 15, 2000 and each of the two anniversaries thereafter.
- (61) These options were granted July 3, 2002 pursuant to the NED Plan. These options are exercisable in ten increments of 10% each commencing on July 3, 2003 and on each of the nine anniversaries thereafter and expire on July 2, 2013.

PLAN OF DISTRIBUTION

The Class A common stock being offered by the selling stockholders pursuant to this Prospectus may be sold from time to time by the selling stockholders, or by pledgees, donees, transferees, or other successors in interest, regardless of whether such successors in interest are successors in interest with respect to the shares being offered. Such sales may be made on one or more exchanges, in the over-the-counter markets, or otherwise, at prices and on terms then prevailing, at prices related to the then-current market price of the Class A common stock, or in negotiated transactions. In addition, any securities covered by this Prospectus which qualify for sale pursuant to Rule 144 under the Act may be sold under such rule rather than pursuant to this Prospectus.

In effecting sales, brokers or dealers engaged by the selling stockholders may arrange for other brokers or dealers to participate. Brokers or dealers will receive commissions or discounts from selling stockholders in amounts to be negotiated immediately prior to the sale. The selling stockholders and agents who execute orders on their behalf may be deemed to be underwriters as that term is defined in Section 2(11) of the Securities Act and a portion of any proceeds or sales discounts, commissions, or other compensation may be deemed to be underwriting compensation for purposes of that Act.

USE OF PROCEEDS

We will not receive any proceeds from this offering.

LEGAL MATTERS

The validity of the shares of Class A common stock offered by this Prospectus has been passed upon for us by Hughes & Luce, L.L.P., Dallas, Texas.

EXPERTS

Our Consolidated Financial Statements as of December 31, 2000 and 2001, and for each of the years in the three-year period ended December 31, 2001 incorporated by reference into this Prospectus have been so included in reliance on the report of KPMG LLP, independent certified public accountants, incorporated by reference elsewhere in this Prospectus, and upon the authority of said firm as experts in accounting and auditing.

INDEMNIFICATION

Our Certificate of Incorporation provides that each person who was or is threatened to be made a party to or is involved in any action, suit or proceeding by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was one of our directors or officers or is or was serving at our request as a director or officer of another company, partnership, joint venture, trust, or other enterprise, will be indemnified and held harmless by us to the fullest extent authorized by the Delaware General Corporation Law as the same exists or may be amended after the date of this Prospectus (but, in the case of any amendment, only to the extent that amendment permits us to provide broader indemnification rights than the Delaware General Corporation Law permitted us to provide prior to that amendment), against all expense, liability, and loss reasonably incurred or suffered by that person in connection therewith and that indemnification will continue as to a person who has ceased to be a director or officer and will inure to the benefit of his or her heirs, executors, and administrators.

The Delaware General Corporation Law permits Delaware corporations to include in their certificates of incorporation a provision eliminating or limiting director liability for monetary damages arising from breaches of their fiduciary duty. The only limitations imposed under the statute are that the provision may not eliminate or limit a director's liability: (i) for breaches of the director's duty of

19

loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or involving intentional misconduct or known violations of law; (iii) for the payment of unlawful dividends or unlawful stock purchases or redemptions; or (iv) for transactions in which the director received an improper personal benefit. In addition, directors and officers are insured, at our expense, against certain liabilities which might arise out of their employment.

Under Section 145 of the Delaware General Corporation Law, a corporation may indemnify a director, officer, employee, or agent of the corporation against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. In the case of an action brought by or in the right of a corporation, the corporation may indemnify a director, officer, employee, or agent of the corporation against expenses (including attorneys' fees) actually and reasonably incurred by him or her if he or she acted in good faith and in a manner he or she reasonably believed to be in the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue, or matter as to which that person has been adjudged to be liable to the corporation unless a court finds that, in view of all the circumstances of the case, that person is fairly and reasonably entitled to indemnity for those expenses as the court deems proper.

Insofar as indemnification for liability arising under the Securities Act may be permitted to our directors or officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in that Act and is therefore unenforceable.

20

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The following documents heretofore filed with the United States Securities and Exchange Commission (the "SEC") by Waddell & Reed Financial, Inc. (the "Registrant," the "Company" or "we") are incorporated by reference into this Registration Statement:

(a) The Registrant's Annual Report on Form 10-K for the year ended December 31, 2001;

(b) The Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002;

(c) The description of the Registrant's Class A common stock contained in our Registration Statement on Form 8-A, filed with the SEC on February 27, 1998, including any amendment or report filed for the purpose of updating such description; and

(d) All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, after the date of the filing of the initial Registration Statement and any amendments thereto and prior to the filing of a post-effective amendment to this Registration Statement which indicates that all of the shares of common stock offered have been sold or which deregisters all of such shares then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents (such documents, and the documents enumerated above, being hereinafter referred to as "Incorporated Documents").

Any statement contained in an Incorporated Document shall be deemed to be modified, replaced or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed Incorporated Document modifies, replaces or supersedes such statement. Any statement so modified, replaced or superseded shall not be deemed, except as so modified, replaced or superseded, to constitute a part of this Registration Statement.

All documents filed with the SEC by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering relating to this Prospectus will be deemed to be incorporated by reference into this Prospectus and to be a part of this Prospectus from the date of filing of those documents. Any statement incorporated or deemed to be incorporated by reference into this Prospectus will be deemed to be modified, replaced, or superseded for purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document, that also is or is deemed to be incorporated by reference into this Prospectus modifies, replaces, or supersedes that statement. Any statement so modified, replaced, or superseded will be deemed, except as so modified, replaced or superseded, to constitute a part of this Prospectus.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Not applicable.

II-1

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Our Certificate of Incorporation provides that each person who was or is threatened to be made a party to or is involved in any action, suit or proceeding by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was one of our directors or officers or is or was serving at our request as a director or officer of another company, partnership, joint venture, trust, or other enterprise, will be indemnified and held harmless by us to the fullest extent authorized by the Delaware General Corporation Law as the same exists or may be amended after the date of this Prospectus (but, in the case of any amendment, only to the extent that amendment permits us to provide broader

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indemnification rights than the Delaware General Corporation Law permitted us to provide prior to that amendment), against all expense, liability, and loss reasonably incurred or suffered by that person in connection therewith and that indemnification will continue as to a person who has ceased to be a director or officer and will inure to the benefit of his or her heirs, executors, and administrators.

The Delaware General Corporation Law permits Delaware corporations to include in their certificates of incorporation a provision eliminating or limiting director liability for monetary damages arising from breaches of their fiduciary duty. The only limitations imposed under the statute are that the provision may not eliminate or limit a director's liability: (i) for breaches of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or involving intentional misconduct or known violations of law; (iii) for the payment of unlawful dividends or unlawful stock purchases or redemptions; or (iv) for transactions in which the director received an improper personal benefit. In addition, directors and officers are insured, at the Registrant's expense, against certain liabilities which might arise out of their employment.

Under Section 145 of the Delaware General Corporation Law, a corporation may indemnify a director, officer, employee, or agent of the corporation against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. In the case of an action brought by or in the right of a corporation, the corporation may indemnify a director, officer, employee, or agent of the corporation against expenses (including attorneys' fees) actually and reasonably incurred by him or her if he or she acted in good faith and in a manner he or she reasonably believed to be in the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue, or matter as to which that person has been adjudged to be liable to the corporation unless a court finds that, in view of all the circumstances of the case, that person is fairly and reasonably entitled to indemnity for those expenses as the court deems proper.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

II-2

ITEM 8. EXHIBITS.

Exhibit Number	Description
4.1	Specimen of Stock Certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Commission File No. 333-43687) and incorporated herein by reference).
4.2	1998 Non-Employee Director Stock Option Plan (filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 and incorporated herein by reference).
4.3	First Amendment to 1998 Non-Employee Director Stock Option Plan (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
4.4	Form of Option Exchange Mailing Documents (filed as Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Commission File No. 333-65827) and incorporated herein by reference).
4.5	1998 Executive Deferred Compensation Stock Option Plan, as Amended and Restated (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference).
4.6	1998 Stock Incentive Plan, as Amended and Restated (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference).
4.7	Rights Agreement, dated as of April 28, 1999, by and between Waddell & Reed Financial, Inc. and First Chicago Trust Company of New York, which includes the Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Company, as filed on May 13, 1999 with the Secretary of State of Delaware, as Exhibit A and the form of Rights Certificate as Exhibit B (filed as Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the

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Exhibit Number	Description
	quarter ended June 30, 1999 and incorporated herein by reference).
4.8	First Amendment to Rights Agreement, dated as of February 14, 2001, by and between Waddell & Reed Financial, Inc. and First Chicago Trust Company of New York (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
5.1	Opinion of Hughes & Luce, L.L.P. (filed as Exhibit 5.1 to the Company's Registration Statement on Form S-8 (Commission File No. 333-65827) and incorporated herein by reference).
23.1	Consent of Hughes & Luce, L.L.P. (contained in Exhibit 5.1 hereto).
23.2*	Consent of KPMG LLP.
24.1	Powers of Attorney (filed as Exhibit 24.1 to the Company's Registration Statement on Form S-8 (Commission File No. 333-65827) and incorporated herein by reference).

*
Filed herewith

II-3

ITEM 9. UNDERTAKINGS.

(a)

We hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i)

To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii)

To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii)

To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement; provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the SEC by us pursuant to Section 13(a) or Section 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) We hereby undertake that, for purposes of determining any liability under the Securities Act, each filing of our annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in this Registration Statement shall be deemed to be a

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new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) We hereby undertake to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Exchange Act; and, where interim financial information required to be presented by Article 3 of Regulation S-X is not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

(d) Insofar as indemnification by us for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by one of our directors, officers or controlling persons in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

II-4

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Post Effective Amendment No. 4 to its Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Overland Park, State of Kansas, on July 26, 2002.

WADDELL & REED FINANCIAL, INC.

/s/ JOHN E. SUNDEEN, JR.

John E. Sundeen, Jr.
Senior Vice President, Chief Financial
Officer and Treasurer

POWER OF ATTORNEY

We, the undersigned officers and directors of Waddell & Reed Financial, Inc., hereby severally constitute and appoint John E. Sundeen, Jr. and Daniel C. Schulte, and each of them, our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for each of us in our name, place and stead, in any and all capacities, to sign Waddell & Reed Financial, Inc.'s Registration Statement on Form S-8, and any other Registration Statement relating to the same offering, and any and all amendments thereto (including post-effective amendments), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grant to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as each of us might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or his or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ KEITH A. TUCKER

Keith A. Tucker

Chairman of the Board, Chief Executive
Officer and Director

July 26, 2002

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/s/ HENRY J. HERRMANN	President, Chief Investment Officer and Director	July 26, 2002
Henry J. Herrmann		
/s/ ROBERT L. HECHLER	Director	July 26, 2002
Robert L. Hechler		
II-5		

/s/ JOHN E. SUNDEEN, JR.	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	July 26, 2002
John E. Sundeen, Jr.		
/s/ MARK A. SCHIEBER	Vice President and Controller (Principal Accounting Officer)	July 26, 2002
Mark A. Schieber		
*		
	Director	July 26, 2002
James M. Raines		
*		
	Director	July 26, 2002
William L. Rogers		

*By:	/s/ DANIEL C. SCHULTE		
	Daniel C. Schulte <i>Attorney-in-fact</i>		July 26, 2002
II-6			

INDEX TO EXHIBITS

Exhibit Number	Description
4.1	Specimen of Stock Certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Commission File No. 333-43687) and incorporated herein by reference).
4.2	1998 Non-Employee Director Stock Option Plan (filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 and incorporated herein by reference).
4.3	First Amendment to 1998 Non-Employee Director Stock Option Plan (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
4.4	Form of Option Exchange Mailing Documents (filed as Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Commission File No. 333-65827) and incorporated herein by reference).

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*

Filed herewith

QuickLinks

[TABLE OF CONTENTS](#)

[AVAILABLE INFORMATION](#)

[DOCUMENTS INCORPORATED BY REFERENCE](#)

[THE COMPANY](#)

[RISK FACTORS](#)

[SELLING STOCKHOLDERS](#)

[PLAN OF DISTRIBUTION](#)

[USE OF PROCEEDS](#)

[LEGAL MATTERS](#)

[EXPERTS](#)

[INDEMNIFICATION](#)

[PART II INFORMATION REQUIRED IN THE REGISTRATION STATEMENT](#)

[ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.](#)

[ITEM 4. DESCRIPTION OF SECURITIES.](#)

[ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.](#)

[ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.](#)

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

ITEM 8. EXHIBITS.

ITEM 9. UNDERTAKINGS.

SIGNATURES

INDEX TO EXHIBITS