WHY USE AN INDEPENDENT FINANCIAL PLANNER?

Good financial advice is like a road map. It helps you get from point A to point B in the shortest and most efficient time manner. But not everybody needs or wants this road map.

Some just don’t understand the risks and the dangers involved in getting lost. Others simply have the expertise to do it on their own. They have studied the various investments, know how they work, know how to match the investments to their personal goals, have the most recent research, and understand all of the IRS rulings and regulations. They have a clear understanding of the many different financial goals and the interplay between them and have devised a sound plan of action to achieve these goals based on sound assumptions of the future. These people do not need to pay for financial advice.

But for most people, it is too difficult to make the right choice in this ever changing environment and money is just too important not to get some professional help.

What can good financial advice give you?

1. **BETTER PERFORMANCE** – A 10½ year study of investments made over 5,000 mutual funds conducted by DALBAR Financial Services (ending May 1995) illustrates why. Investors who used an Independent Financial Planner outperformed those who didn’t by over 17% in equity fund investments and approximately 21% in their fixed income fund investment.
2. **LESS RISK** – A year 2000 study by Financeware.com found that investors not using a probability analysis tool have a 32% to 51% chance of not reaching their financial goals. In fact, seniors over the age of 65 had a 51% chance of failure, while any investor with less than $500,000 of investable assets had over a 48% chance of failure. “In absence (of) access to modern portfolio theory, we think that’s an incredibly high number,” said David Loeper, chaiman and chief executive of Finaceware.
3. **LESS TIME** – Let’s face it. The education and experience required to become good at financial planning is expensive and very time consuming to obtain. Using a professional allows you to spend your time doing the things you really want to be doing rather than studying the latest economic reports.
4. **LESS WORRY – FEWER MISTAKES** – Just knowing someone you trust is watching out over your money will give you one less thing to worry about. And don’t we all have enough to worry about.

# WHY PEOPLE DON’T USE AN INDEPENDENT FINANCIAL PLANNER

1. Think they can do it themselves – the financial media has convinced a lot of people that smart investors can do it themselves. Yet as of June 30, 1998, over two-thirds of all mutual funds consisted of funds sold through financial advisors. (Source: DALBAR, Inc.) Are millions of investors acting irrationally or is there a value in the services that a financial planner provides?
2. Don’t want to pay – The financial media has once again convinced investors that they can provide the advice and education that investors need, so why pay someone else for this advice.
3. Lack of trust – this is probably the number one reason people choose not to use a financial advisor. With over 500,000 people in the U.S. claiming to be a financial advisor of some sort, then the odds are high of ending up with someone who gives bad advice.

**THE COST OF BAD ADVICE**

Bad advice can set you back as much as good advice can put you ahead. Bad advice can take different forms but the most common is well meaning ignorance. Well meaning ignorance takes place when the advisor makes recommendations without having learned about your personal needs and goals. The financial media is well known in the industry for giving short-term advice that is read by long-term investors.

A very important step in spotting bad advice is to assess what the adviser knows about you. If you get advice first and are asked questions about yourself later, then the advisor is probably guilty of well meaning ignorance.

Bad advice is also characterized by fun and excitement, making it sound like gambling as opposed to investing. Good advisors will take the time to ask you uncomfortable questions which are usually neither fun nor exciting. Bad advisors will skip right to the action.

And finally bad advice is evident when the advisor is pushing one primary product to fulfill all of your needs. For example, insurance agents acting as financial advisors often push Equity Indexed Annuities as a solution for retirees. They tout the guaranteed rate of return (although incredibly low) with the potential for upside gains. And they solve the surrender charge issue by telling you that you can always withdraw up to 10% of the account without surrender charges and you should never need to withdraw more than that.

All of this is true. However, it still doesn’t mean that an Equity Indexed Annuity is the best available solution. It simply means it is the best available solution that they have to offer. This is still a sign of bad advice.

So are millions of investors who use financial advisors correct. Yes, but you must be careful and make sure you choose a good one. A good financial planner takes the time to understand you and your goals. And good financial planners are truly independent. Good advisors do not offer any proprietary products and they are not owned or controlled by a financial services company that produces insurance, investment, or banking products. And finally a good financial planner charges for his/her services in a manner that puts both the planner and the client on the same side of the table. They will both have the same financial incentives.