

The Value of Objective Planning

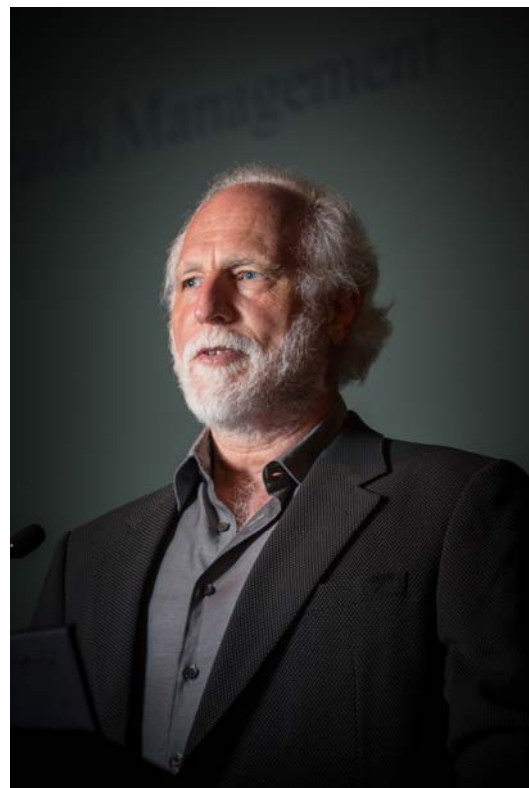
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What is the value that people get when they work with an objective, client-focused financial planner?

Most planning firms are reluctant to toot their own horns—partly out of modesty, and partly out of a conviction that you probably have better things to do than read about how they help you with your financial life. But every once in a while, it's a good idea to stop and think about what you get for what you pay.

This list is organized in rough order of value, and if you feel you aren't getting any of these benefits, please let us know immediately.



1) An independent financial planner helps protect you from financial predators.

It's a touchy issue in the profession whether advisors who put their clients' interests first should be "bashing the competition," but in fact the Wall Street firms that pretend to offer financial planning guidance are seldom (if ever) looking out for the best interests of their customers. When you work with a broker (also known, on the business card, as a "vice president of investments,") you will be presented with separately-managed accounts that look like mutual funds except they share their fees with the brokerage firm, plus a lot of investments that have to pay people to recommend them—never a good sign for the end investor.

And since the investment markets are extremely complicated, it's usually hard for a layperson to know when there are much better alternatives than the "opportunities" being presented.

2) An independent financial planner helps you keep track of--and make more efficient--your financial affairs.

It is not uncommon for financial planners to talk with clients who once had a will drawn up, but they're not sure exactly when. Now that you mention it, they're curious about what, exactly, it says. There's an insurance policy in a drawer somewhere, and it may be term or it may be a cash value contract; all the client knows for sure is that he writes a check to the insurance company every year. Upon inspection, it turns out the auto insurance policy he happens to own is way more expensive than the lowest rate available in the market, and the homeowner's policy hasn't been updated since the Clinton Administration.

And the investments are not uncommonly a hodgepodge of what a broker sold the client based on what he was told by his bosses to recommend at different times during the relationship.

Hopefully, this was never you. But it does offer a certain peace of mind to know that everything is organized, in one place, and that somebody is paying attention to the details. Because in your financial life, the details matter.

3) An independent financial planner will stand between his/her clients and the dysfunctional emotional decisions that everybody makes with their own investments.

Do you remember how it felt when Lehman Brothers went down, and the U.S. government was bailing out General Motors? Many people sold everything at the bottom, and then waited, and waited, and waited to get back into the markets until it was “safe.” They never dreamed that the markets would go on a six year bull run that would take us to new record highs.

The Morningstar organization has calculated the difference between investment returns and investor returns—that is, between the returns people get vs. what the markets (or individual mutual funds) have delivered. Results? It is not unusual, during various time periods, for individual investors to get about half the returns of the market. How is that possible? They may be moving the portfolio around, or buying an attractive-looking hot fund or selling a great fund that’s going through a rough patch. They may sell out at the bottom of a scary period, or go all-in when the markets are about to take a nasty tumble.

For many of us, the best approach is to find good, solid investments and stay the course through thick and thin, ups and downs. But it’s very hard to do those things on your own. An independent advisor provides a dose of objectivity right when you need it.

4) An independent financial planner is a strong advocate for your future.

You know the statistics about the savings rate in America (the 2000-2008 numbers hovered around 0% of income, spiked briefly after the Great Recession and are now back in the 1% range again). But the keepers of these statistics don’t tell you that they probably *overstated* the actual rate, because they didn't include things like increasing credit card balances or home equity loans. When people put money in their savings account, and at the same time run up more debt, it counts as an increase in their savings.

The problem for most consumers is that there is no voice in their environment advising them to pay themselves a fair percentage of the income they earn. Instead, they’re bombarded by messages which make powerful arguments to do the opposite: to buy this, that or something else. The entire advertising community conspires to take those dollars out of their hands before they ever hit an investment account.

Advisors become that rare voice speaking out in favor of saving. And in some cases, they help identify expenditures that are not in line with your stated future goals. Which leads us to:

5) An independent financial planner helps people identify what is important in their lives and prioritize their goals.

How many people do you know who have taken the time to identify what they really want out of life?

The incredibly sad truth is that the vast majority of people in our advanced, prosperous society have not taken the time to figure out what they really want out of the all-too-brief time they will spend on this planet. And because they don't know their destination, they will never reach it. They are, in a very real sense, at the mercy of whatever agenda others have for them.

An independent financial planner will ask questions in your initial interview which help you recognize what you don't know about what you want, and help you identify your most personal goals and desires. That, alone, can be a priceless service.

6) An independent financial planner can help people turn seemingly impossible goals into a routine that can achieve them.

After years of running retirement planning spreadsheets, and working with successful individuals in the community, advisors eventually master one of the truly magical lessons of life: that any enormous goal can be broken down into manageable, monthly increments, and achieved by routine and persistence. You save X amount of dollars every month in a portfolio that gets something close to what the market offers, and you will retire with a sum of money that seems impossible to you now.

Clients who have goals that they don't believe they can achieve are put on a schedule that will get them there as a matter of routine.

Of course, this list doesn't include specialized services like making retirement planning projections, charitable planning, creating special needs trusts for a disabled child, evaluating disability and long-term care insurance—and it doesn't mention the comfortable knowledge that you can call an expert for advice on virtually any financial subject, and you'll get an answer that is not tainted by a sales agenda.

The point is that the services offered by an independent financial planner can have enormous value to people who are motivated to enjoy successful, prosperous lives. An independent planner's only goal is your success and prosperity, which should not be—but is—unusual in our financial world.