

TheStreet

Why You Need a Financial Planner

As planning for your golden years gets increasingly Byzantine, it can pay to hire a pro.

Rodney Brooks | Jan 20, 2017

As more Americans, especially Baby Boomers, prepare to navigate the complicated course of retirement, they are increasingly turning to professionals for financial and retirement advice.

According to a survey by the CFP Board, in the last five years the use of financial advisors has increased significantly -- from 28% in 2010 to 40% in 2015. But still, according to Society of Actuaries, only 48% of pre-retirees and 55% of retirees consult with a financial advisor or planner to help with financial planning or retirement planning.

People don't hire financial planners for a variety of reasons. Some think they don't have enough money saved. Others would rather do it themselves. Many simply don't know where to start.

But surveys have shown that people do better when they have the advice of financial planners. A 2015 study by the John Hancock Retirement Plan Services found that 70% of people who work with a financial advisor or financial planner are on track or ahead in saving for retirement. That compares with 33% of those who do not with an advisor.

"I tell clients I become part of their personal board of directors," says Zaneilia Harris, president of H&H Wealth Management in Upper Marlboro, Md. "With that, I'm there to help answer questions and be a sounding board for them, so they can factor the advice I provide and what they are thinking in their minds with research. Sometimes, it's all about asking questions they may not have thought about."

"A lot of answers are within the clients," she says. "It's just about pulling it out of them. One of most important things we do is ask questions and pull out answers that are already inside of them."

"Do you really want to do it for yourself?" asks Thomas O'Connell, president of Parsippany, N.J.-based International Financial Advisory Group, Inc. "If you work 40, 60 or 80 hours a week, is this really something you want to take on as almost another job?"

Most frighteningly, O'Connell notes people spend more time watching reality TV than they do planning finances.

"We can take it lighthearted, but to some degree it's probably true," O'Connell says. "Today they don't have time; they don't have the proper education. I spend the equivalent cost of a year at Harvard on continuing education and licenses. There is more to it than looking at Morningstar and picking a mutual fund."

Skip Johnson, partner at Great Waters Financial in Minneapolis, says there are two very good reasons people should lean on financial planners - "the behavioral finance component and the hard dollars or extra money we can make you, or save you in taxes."

"We really tell our clients that asset management is a small part of what we do," he says. "We have sophisticated software to make sure a client is invested properly for risk tolerance. A market correction or downturn doesn't take them off game."

And retirement is not a one-size-fits-all scenario with many decisions to be made for people around whether they should take a pension or when they should begin collecting Social Security. "There are hundreds of choices," Johnson says, noting the challenges of paying for long-term care and the consideration of whether to take on a part time job.

"The number one fear for retirees is running out of money," he adds. "A financial advisor can give them confidence to know what kind of situation they are in or to let them know if you spend X amount per month, I can't imagine a single situation where you will run out of money."

Chris Horan, Associate Wealth Advisor with Strategic Wealth Partners in Cleveland, says the financial planner is a voice of reason.

"A lot of times we tell our clients investing is an emotional process," he says. "Working with a financial planner or investment advisor helps people take the emotion out of investing, especially in retirement. Lots of times people get scared. Working with a financial planner takes the emotion out of it."

The second reason to work with a financial planner is accountability, Horan says.

"That means having a financial plan in writing," he says. "It is not our job to tell clients how to spend their money, but it's our job to tell them with relative degree of confidence how much they will be able to spend in retirement. We look at their goals

and we can tell them with a certain degree of confidence if they will be able to spend more or spend less. If we tell them they have to spend less, we give them actionable items."

Of course accountability comes into play once a client retires.

"We update our clients plans every year," Horan says. "If we see spending is way out of line, we tell them they need to cut back. If they spend less than what we told them, we tell them they can spend more or here are some things you can do. Accountability kicks in when people start spending too much, especially in first few years."

Horan also says financial planners can educate the spouse or partner who may not be as familiar with the family's finances.

"There always seems to be one person in the household who has dealt with finances," he says. "If something were to happen to that person, the other spouse may have no idea where to start. It's already a stressful time. The financial planner knows every aspect of your financial life, and it takes some of the pressure off the spouse if something happens, especially spouse who has not dealt with the finances. Our job to educate them and be there if something were to happen. That goes for children as well."