



WHEN  
& WHY  
SHOULD  
I HIRE A  
FINANCIAL  
ADVISOR?

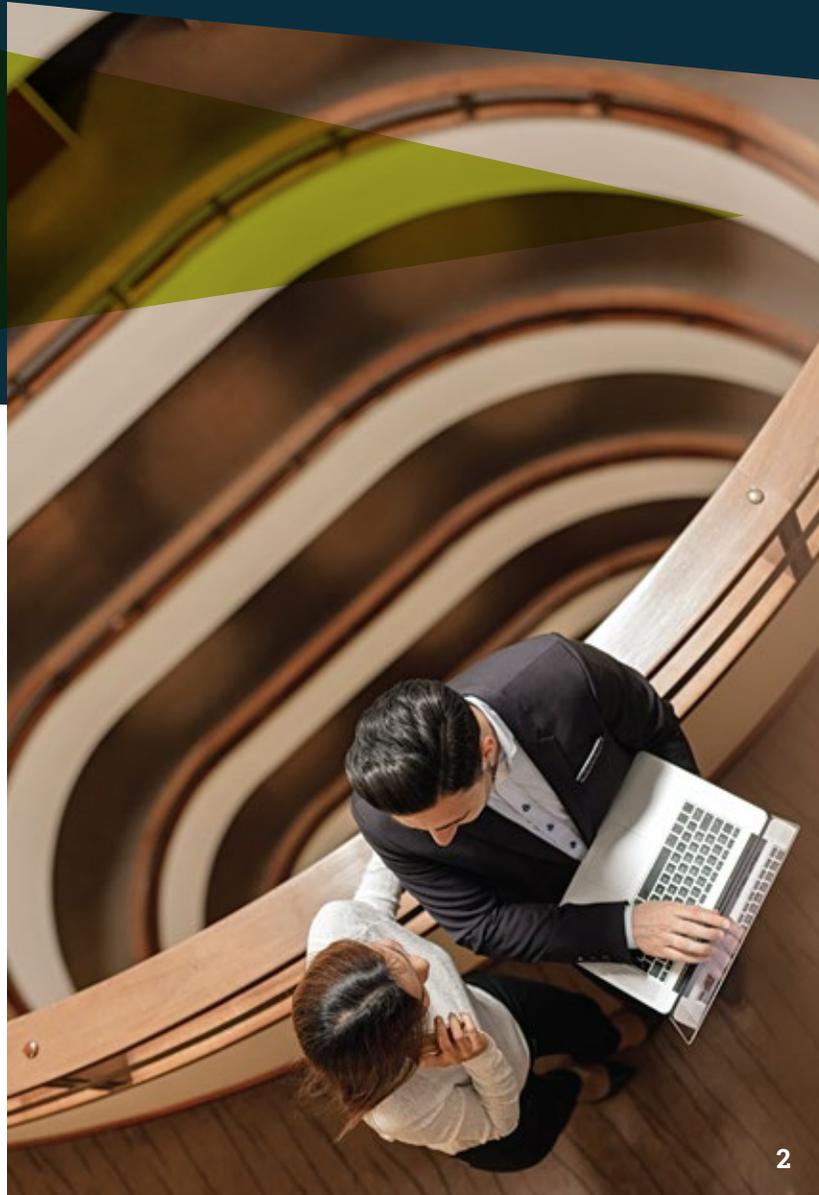
**THE HIDDEN  
VALUE OF A  
CLIENT-ADVISOR  
RELATIONSHIP**

**| CUNA MUTUAL GROUP**

**A**ssessing the worth of a relationship with a financial advisor could be done in the literal sense — boiling it down to the 1% fee advisors typically charge for services.<sup>1</sup>

**However, the value of the client-advisor relationship lies in the intangibles of an advisor’s expertise, such as helping you reshape financial behaviors, coaching you toward achievable goals, reviewing and updating your portfolio, customizing a financial plan or providing other ancillary services.<sup>1</sup>**

It’s largely the importance you place on the value-adds that moves you toward working with a financial advisor. Use this guide to assess your needs and readiness as well as the benefits of choosing to establish a client-advisor relationship.



# When should I hire a financial advisor?



There's no set formula for determining if or when you should hire a financial advisor. However, there are some indicators that may suggest pursuing expert financial advice is a good choice, including these:<sup>2</sup>

## RETOOLING SPENDING HABITS:

Deciding to define and prioritize future financial goals could mean undergoing a significant shift in your current spending habits. **Expert guidance can get and keep you on the right track.**

## A DESIRE TO HAVE YOUR MONEY WORK FOR YOU:

Financial advice isn't reserved solely for the wealthy. Often the motivation for seeking out an advisor is wanting to plan for and accomplish basic goals — living consumer debt free, having an emergency reserve fund saved equivalent to 6 to 12 months of expenses, or maximizing retirement accounts.

## LIFE EVENTS:

Graduating from college. Getting married or divorced. Having children. Buying a home. Changing jobs. Retiring. **Events that significantly impact your lifestyle might have the same effect on your finances and may require professional guidance.**

## EMOTIONAL ATTACHMENT:

Emotions are powerful and can run high when it comes to finances. If you and your spouse or partner have fundamental differences about money management or you otherwise can't separate yourself from the feelings surrounding your finances, it may be time to opt for the strategic objectivity of a financial advisor.

# THE VALUE OF TIME

Sometimes people forgo hiring a financial advisor “to save money.” What they’re not considering is what they could be losing — time.

The amount of time required to create, update and manage a financial plan is often grossly underestimated. For example, a financial plan for a person with a \$1 million portfolio could take anywhere from 20 to 100 hours per year to maintain.<sup>3</sup>

That estimate doesn’t factor in certain value-added services that a financial advisor may include as part of a relationship, such as the following<sup>3</sup>:

- » Annual updating
- » Monitoring and adjusting goals and risk tolerances
- » Coordinating with tax or legal professionals if necessary
- » Retirement planning and distributions

Working with a financial planner can save you time, and based on typical investing habits may also be able to save you money.



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**The time may be right to seek guidance from a financial advisor, but your decision to pursue a client-advisor relationship shouldn't be predicated on timing alone.**

The long-term value a financial advisor can provide is wide-ranging and multifaceted.

## **PEACE OF MIND**

**Psychologically, financial advisors can contribute to your sense of financial and emotional well-being simply by what they represent – experts who can help you strategically meet current financial obligations and also feel secure about the choices you make regarding your financial future.<sup>4</sup>**

A financial advisor can also steer you away from certain investing behaviors that are so closely aligned with human nature you may not even realize you could be making potentially detrimental missteps:

» **A tendency to buy high and sell**

**low.<sup>3</sup>** A bull market encourages purchasing, and a bear market encourages selling. It sounds logical since a market upswing suggests higher return and lower risk and vice versa for a market downturn. However, these misperceptions could lead you to

misconstrue the amount of risk you're actually taking.

» **Basing investment decisions on others' fears or goals.<sup>3</sup>**

You may unwittingly let the biases and emotions of family, friends, co-workers and others in your circle of influence interfere with your investment decisions.

» **Moving in and out of investments too frequently.<sup>5</sup>**

The average mutual fund investor generally stays invested for a fraction of the market cycle, which is not enough time to properly execute a long-term strategy.

» **Attempting to time the market.<sup>5</sup>**

Historically, market conditions create a shift in cash flows that run counter to the eventual direction of the market.



## EXPERIENCED GUIDANCE

**A financial advisor's impartiality is key in helping you navigate decisions that could be clouded by emotion or subconscious behaviors.**

However, it's an advisor's willingness and ability to help you reach your goals that serve as a solid foundation for a client-advisor relationship and your long-term financial strategy. A financial advisor who is engaged with you will guide you in these ways:<sup>6</sup>

- » Seek to understand your current financial situation and where you want to go.
- » Identify your preferred investment style and risk tolerance.
- » Build an actionable financial plan focused around your investment and life goals.

- » Rely on and recommend professionals in other disciplines for expert advice, such as attorneys or accountants.
- » Review and adjust your investment mix to keep pace with market changes, including an annual rebalancing of your portfolio to maximize returns potential and minimize risk.<sup>3</sup>
- » Keep the lines of communication open with you at all times.

In turn, these translate to marked differences between advised clients and individuals choosing not to partner with a financial advisor. Studies have shown that advised clients are the recipients of valuable benefits:<sup>7</sup>

- » Have greater net worth.
- » Are more successful at saving.
- » Have a more disciplined response to market volatility.



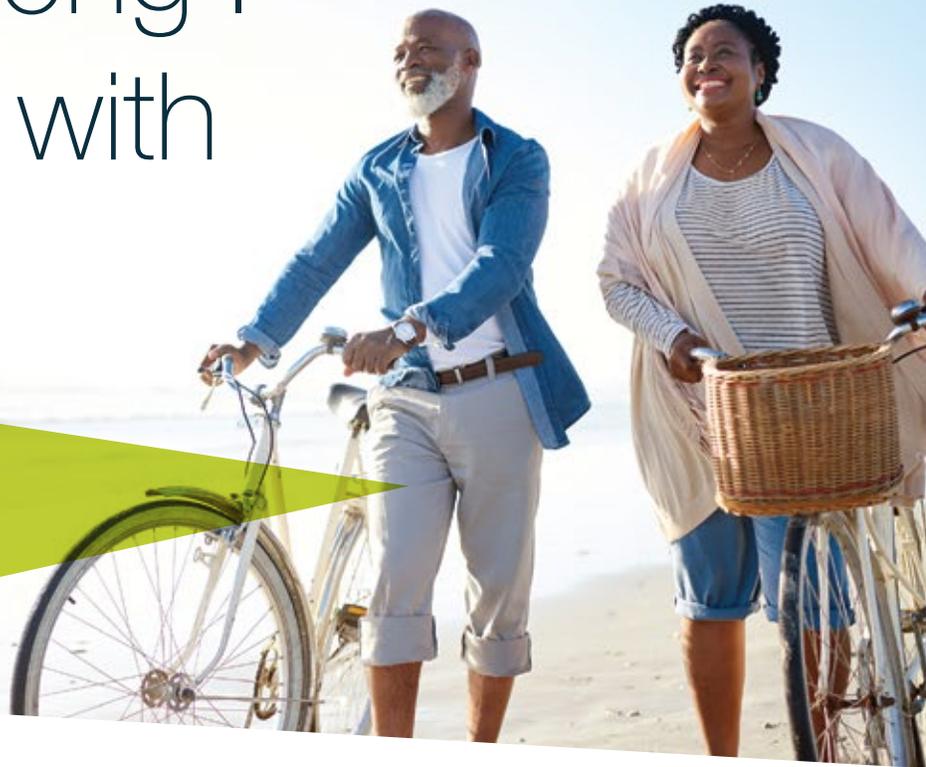
## VALUE SUBTRACTION

A financial advisor often provides services beyond — and sometimes in conjunction with — investment management and retirement planning. Narrowly defining their role in the client-advisor relationship could mean you're

missing valuable opportunities to receive professional advice:<sup>7</sup>

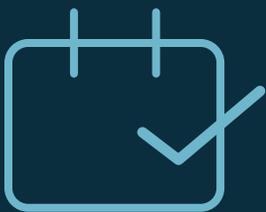
- » Tax planning
- » Insurance solutions
- » Intergenerational planning
- » Estate planning

# Does it really matter how long I wait to work with a financial advisor?



The choice remains yours, but time could well be of the essence if you're looking to build your nest egg. **Data compiled through recent industry research reveals that**

**long-term professional advice can add an average of 1.5% to 4% in additional annual investment returns.<sup>8</sup>**



Establishing a relationship with a financial advisor is a proactive decision that can add layers of value over time.

**SCHEDULE SOME TIME TO DISCUSS NEXT STEPS WITH AN ADVISOR TODAY!**



## SOURCES

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<sup>2</sup> Why You Should Hire a Financial Planner, Even if You're Not Rich  
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<https://russellinvestments.com/-/media/files/ca/en/financial-professionals/value-of-advisor-client.pdf?la=en-ca>, June 2017

<sup>4</sup> Is Financial Well Being the Key to Emotional Well Being?  
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<sup>5</sup> Defusing Emotions: An Advisor's Role in Disciplined, Long-term Investing  
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<sup>6</sup> Value of an Advisor  
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<sup>7</sup> The value of working with a financial advisor  
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<sup>8</sup> The Value of Advice  
<https://www.fidelity.com/viewpoints/tcm:526-421011-22612.comp>, December, 2017

## IMPORTANT DISCLOSURES

This material is informational only and is not investment advice. If you need advice regarding your financial goals and investment needs, contact a financial advisor.

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