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When it Comes to Investing, Have a Goal in Mind

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Can you do better with my investments? The question of "better" might be the most loaded question you can ask a financial professional.

Like many, I used to believe the answer to the question was to try to top the rate of return. If you have been getting a 3 percent return, surely by giving a 5 percent return I was better, right? I mean, who does not want to make more money? I am a financial adviser; surely my job is to make my clients more money. Why else would my clients be seeking my advice?

It was not long into my career when I posed these questions to my father. Even though he sees the whole financial industry as a bunch of sharks, surely he wants to make more money. Dad replied, "It is not about making more money."

These words grated against my soul, but I kept listening, and what I heard next became the foundation for how I help my clients today: "It is whether or not I can afford to do what I want to do when I retire." He continued by explaining to me that even if he won the lottery, he would still want to spend his time visiting historical sites with my stepmother and taking in all that nature has to offer at our hunting camp in the mountains of West Virginia. Sure, he might stay at a nicer hotel or have a nicer truck, but he has been looking forward to his vision of retirement for some time now.

For my dad, a higher rate of return meant nothing. Doing better for Dad is making sure that his vision comes true.

In order for my dad to achieve his goal, he knows how much money he will need. He knows that between his pension, social security and his IRA he will have enough to see his vision come true. All he needs to do is hit that number. To reach that number, he needs a consistent 3 percent rate of return. Getting anything higher would only be icing on the cake.

So why not go after that new truck? If you can get the higher rate, go for it.

That is until you consider the price. Basic rule of investing is, with greater return comes a higher risk - risk that could mean losing money and not being able to go sightseeing or, worse yet, not going to that hunting camp.

My father has a plan. He knows his plan well. He knows what he needs to achieve and how to achieve it. He is aware that it is not a straight line, and along the way there are going to be some ups and downs, but he knows what he needs to do to get there.

Having a plan is really the key to achieving your financial goals.

Once you have a plan in place, you can select the money managers who are best equipped for obtaining your goals. I want to make something clear here: I said money manager-not financial adviser. There is a huge difference.

A financial adviser helps you develop your financial strategy, helps you select money managers, and helps you monitor those managers.

If you are selecting financial advisers because of the rate of return, you will soon find yourself looking for a new financial adviser. There will always be another guy that can get you a higher rate of return. Or worse, those returns you were expecting are much lower, or maybe even losses.

Having a financial strategy in place and working with your adviser to find money managers who provide the appropriate rate of return balanced with and expectable amount of risk is truly doing better. You can change money managers easily, you can change advisers easily. But changing your vision of retirement might not be that easy.

Once you have a clear understanding of what your goal is, then and only then can we help you determine what investments are "better" for you.

So, today when I am asked, "Can you do better with my money?" I always reply with, "What is better to you?"

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Note The opinions expressed in this column are solely the writer's and do not reflect the opinions of The Patriot-News. Before acting on any financial advice, readers should consider whether it is suitable for their circumstance and consider seeking advice from a financial or investment adviser.

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