Kiplinger

No Need to Go Alone: 5 Considerations for Choosing a Financial Adviser

www.kiplinger.com |

August 2017

Some tasks are appropriate for do-it-yourselfers, but investing and planning for retirement may not be one of them.

We all know we need to save and invest in order to build a nest egg for retirement, but according to the Certified Financial Planner (CFP) Board, only 40% of Americans work with a CFP to achieve their financial goals.

That means 60% of American workers are going it alone to plan their financial futures. Why? As a Certified Financial Planner who has owned a financial planning practice for 35 years, I can only conclude that unless 60% of American workers become disciplined, lifelong learners and investors when it comes to making, growing and preserving more of their money, they may find themselves at risk of running out of money as they age.

Building wealth that will last a lifetime may sound like a daunting task, but if you begin with a financial plan in your 20s, time is on your side and you can write off the ups and down in the economy.

For those of us in our 30s and above, there is still that magical, wealth-building formula of Savings + Investing + Time + Good Financial Decisions = Confidence in your Investments and Financial Independence.

So how do you begin to make good financial decisions? By connecting with an expert and committing to learn and follow the plan you create together. Still, some people may be puzzled about the value of working with a Certified Financial Planner. After all, what can a financial adviser do that the average American can't do on his or her own?

Plenty. Here are my top five basics to consider when working with a financial adviser:

Understand your individual objectives and goals clearly through questions and discussion.

Do you want to build a million-dollar portfolio? Own a beach house? Travel the world when you retire? Or just enjoy retirement and not be a financial burden for your children as you age?

We all have dreams about how we can live our best lives. But many of us get so bogged down in working day to day that we ignore the opportunities we have to save, grow our money and lower our tax burdens. Wishing is not a plan. But sitting down with an experienced, ethical financial adviser, articulating your goals, then following through and taking action IS a plan.

Learn what constitutes a fiduciary role.

Not all financial advisers are created equal, and newspaper headlines periodically point up financial scams where unethical financial advisers abscond with investors' money.

An ethical financial adviser acts your behalf to invest your portfolio in financial products that will grow or produce income for you. Savvy clients understand their investments and calculate net returns against adviser fees and commissions. If you don't understand an investment, or feel coerced to invest in something you're uncomfortable with, ask your financial adviser for an investment you do understand. Or shop around for an adviser who communicates better with you.

Recognize that your position is unique, with lots of moving financial parts.

If you own a business and plan to retire in 10 years, your financial plan will differ from someone with a spouse with a chronic disease who needs expensive medications, or someone with a special needs child. Life insurance needs differ for a single Millennial in a high tax bracket vs. two teachers with five young children. A good financial plan takes your unique situation into consideration and optimizes your opportunities to grow and preserve wealth, as well as protect your home, family and business.

Know your risk tolerance and stay within bounds.

Some people grow up in middle-class, conservative households where children receive a weekly allowance and distribute money into three piggy banks: one for college, one for church and one for spending. Some grow up in households where spending is emotional, scarce or nonexistent.

We all behave differently and have varying risk tolerances when it comes to saving and investing. And investors have to realize that all investments are subject to market and other risk factors, which could result in loss of principal. But your risk tolerance largely depends on your personality, life experience and investment knowledge.

A good financial adviser won't generalize about you and your investment preferences. A good financial adviser will listen actively to your needs, assess your comfort level and take the time to guide you into investments consistent with your knowledge, experience and goals.

What about robo-advisers?

We read periodically of spikes or drops in specific stocks or industries when algorithms decide when to buy or sell an investment, but that kind of volatility and uncertainty can be dangerous—and stressful-- for those of us who work hard every day and save one dollar at a time. A human financial adviser can guide you into a balanced portfolio that includes stocks, bonds, insurance, and stable, long-term investments.

Despite the ease of using a robo-adviser, robo-advisers do not provide counsel on issues such as estate planning, retirement or money management. A living, breathing and accountable financial adviser you know, meet with quarterly or annually and can trust is a prudent choice.

Talking with a Certified Financial Planner (CFP) who acts as a fiduciary can help you articulate your dreams and evolve them into a plan. The CFP is the national certification for the recognized standard of excellence for competent and ethical personal financial planning. If you want to learn how navigate the financial world and learn how to save, invest, select the right insurance products and reduce your taxes, a visit with a CFP can be the right place to begin.

Thomas P. Keller is a partner at Kehoe Financial Advisors in Cincinnati. Tom joined the firm in 1999 and became partner in 2003. A graduate of the University of Cincinnati, Tom is a Registered Representative and IAR with Kestra Investment Services and Kestra Advisory Services. He received his CFP designation in 2004.