Miller, On The Money

SPECIAL REPORT:

The 6 Most Important Do's and Don'ts When Selecting A Financial Advisor

Get It Right the First Time!

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The 6 Most Important Do's and Don'ts When Selecting A Financial Advisor

A good financial advisor is worth their weight in gold. A bad financial advisor can destroy your retirement dreams. A do-over is costly – ***get it right the first time!***

I've received hundreds of reader emails recounting good experiences with financial advisors, while others have been horrendous.

This report is based on years of research, experience, and lessons learned the hard way. Here is how to avoid some of the more common mistakes.

1. DON'T abdicate your responsibility. An all-to frequent comment is, "I'm tired of worrying about money, I want to turn things over to a financial advisor."

A financial advisor is a part-time employee to help guide, mentor, educate, and manage your investments so you can meet your investment objectives.

When you are working, you trade your time for money. When you retire, you trade money for free time. Your retirement, and your future, not only depends on how well you accumulated your live savings, but also how you manage it for the rest of your life.

The single most important rule:

> ***Delegate, but never abdicate the responsibility of managing your life savings.***

There is no such thing as "set it and forget it!" when it comes to financial advisors. Commit yourself to staying involved and working with your money manager.

2. DON'T even think about an advisor who is not a fiduciary. The SEC, government agencies and professional associations established two levels of responsibility.

> **Fiduciary Responsibility** – They must serve their client above all other interests. They are required to put your interests first, even at their own

expense. They must seek out the best investment for their clients even if it pays them less commission or fees.

This is the highest standard of responsibility. Those who have Certified Financial Planner (CFP) licenses are held to this standard.

Suitability Responsibility – Advisors held to this standard may guide you to investments deemed "suitable" for your investment objectives, risk tolerance, age, net worth, etc. This is the threshold for a traditional stock broker.

For example, it may be "suitable" for you to invest in a growth fund. The "suitability requirement" allows the broker to guide you toward funds paying higher commissions even if they perform poorly. Unlike the "fiduciary" standard, they are not required to guide you to the "best" investment for your situation.

When their compensation is based on investing your money into a specific product it creates a conflict of interest. Just say no!

3. DON'T be fooled by fancy titles or designations. You may see initials like ChFC, CPCU, MBA, CPA, or various brokers licenses. Many brokers have titles like financial manager, retirement specialist, etc. Pay little attention to the catchy title on their business card.

We are not concerned about what they claim to be; but rather the behavior they are legally required to adhere to.

> "The reality is still that financial advisers can hold (themselves) out as financial advisers or retirement experts to the public with really nothing more than a high school diploma and passing a two- to three-hour regulatory exam, and the high school diploma is optional."
>
> **– Michael Kitces**

Confirm the fiduciary standard in writing, verbal promises don't count!

4. DO a thorough search for candidates. I Googled, "Certified Financial planners near me." There were several ads and firms listed. If you see one that is promising click on their site and research. Are they licensed Certified Financial Planners? What are their specialties? What are their minimum size requirements?

Spend the necessary time to accumulate a list of good candidates.

5. DON'T get hoodwinked by referral services. You will see plenty of ads promoting referral services to help you find the right match. If you are thinking about using one of those firms, confirm in writing how much research they really do into various candidates. They may provide an excellent service and save you some time. Some are no more than a computer matching service based on a few buzz words.

Perhaps the best advisor for you has plenty referrals from satisfied clients and sees no need to pay referral fees.

Selecting a financial advisor because they pay the best referral fee can be a recipe for disaster.

6. DO ask the tough questions. One of the most important questions is asking them to confirm, in writing, how they are compensated. Fiduciary level advisors will generally disclose this information if you ask. Many readily divulge information about referral fees they pay, and other sources of income they may earn from YOUR money.

Traditional stock brokers are well compensated for putting client's money into their company sponsored, ongoing fee-based products, regardless of how they perform.

If a financial advisor receives compensation based on the products they buy with YOUR money, it is a giant red flag!

Look for any potential conflict of interest and ask about it.

A financial advisor should not serve two masters!

Also, ask to see a typical portfolio for other clients that are similar to you. This leads to the next two points.

7. DON'T get fooled by robo-advisors. I asked a well-respected Certified Financial Planner how they selected investments for each client. He responded with, "We turn their information over to [a national mutual fund company], they feed the data into the computer and give us what we need.

There are several concerns about that approach. The report will likely contain many of the mutual fund company sponsored funds. Is each fund really the *best* one for the client? Is the financial advisor firm delegating their research to someone who writes a computer program?

If you went to the same brokerage firm, they would feed the same data into their computer.

Pundit James Rickards tells us, “Nothing like what we’re witnessing has ever happened before. Even the savviest analysts cannot yet internalize what happened.”

Computer programs for financial analysis are based on historical data. Day traders use these programs to buy and sell frequently, many being very successful. Do you want to trust your life savings to a computer program based on historical data when we are witnessing things that have never happened before?

Brokerage houses generally have a litany of their own funds. Their “free financial analysis” computer programs are designed to channel as much money as possible into their ongoing fee-based products. Readers report they do everything they can to keep your money in those products regardless of what is happening in the market.

Don’t pay a financial advisor to be a courier for someone else’s research. They may not be looking after YOUR best interest.

8. DON’T pay fees on top of fees. When you are paying an advisor fee on top of fund fees, what is left for you?

Subscriber Alex E. writes:

> “When I received a buyout from my former employer, I gave the money to a Mutual Fund Manager. I selected several funds I thought would grow nicely into the future, not realizing that the funds charged a 2% Management Expense Ratio (MER).
>
> I found out the hard way that I was paying dearly for the “privilege” of owning their funds.... So, after 10 years, they managed to average a little over 5%, woefully behind the stock market at the time. I would have done better with CDs.
>
> I couldn't figure out why I was getting such little return until I read some books explaining how the Mutual Fund Industry is actually rigged to provide a nice income for them, not so much for you...”

The Dow Jones 2019 Scorecard reports:

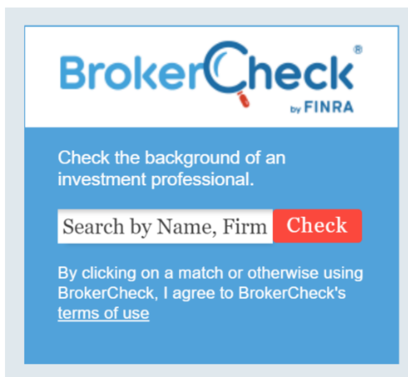
> "Large-cap funds made it a clean sweep for the decade – for the 10th consecutive one-year period, the majority (71%) underperformed the S&P 500**. …. (2019) deserves special note, with 89% of large-cap funds underperforming the S&P 500 over the past decade."**

They may have beat the index, but when subtracting their fees, they end up underperforming. If a fee-based financial planner invests your money in these funds, your odds of underperforming the S&P 500 would be even higher.

> ***Investing your money conservatively might cover the fees, with nothing left over for the investor who bears all the risk.***

9. DO some independent research. Once you put together a list of candidates do a quick, simple background check.

The Financial Industry Regulatory Authority (FINRA) is a regulatory body designed to protect investors. Click on FINRA's website for BrokerCheck.



Fill in the name of the candidate and click Check. The site provides you with details such as disclosures, years of experience, exams passed and state licenses. When you click on disclosures, you will see a history and details about any disputes they have encountered.

> ***A little time in research now can save a lot of time and heartache later!***

Most experienced, senior financial advisors encounter some customer disputes over the years. Some may be legitimate while others are questionable. Look to determine how the complaint was resolved.

10. DO interview the person you will be working with. Many firms are headed by senior, well qualified advisors who serve as the face of the company and their marketing arm. When it comes to handling your account, who will you be working with?

When the market tumbled in early 2020, a friend told me he works with two different firms; and his contacts are both in their early 30's. He is retired, does not want to lose his money and asked about stop losses.

He said he got "lectured" by these young people telling him the market always comes back. He pointed out that in 1929 it took 25 years for the market to return to the previous high. In the 2000 crash, when adjusting for inflation, it took the market almost 20 years to come back. He asked them if they could guarantee the market will come back in his lifetime.

> ***Don't get trapped by "Bait & Switch!" Who handles YOUR money?***

He asked the manager to reassign his account to someone closer to his age who understands his concerns and would protect his money.

11. DO set realistic assumptions. One reader hired a financial advisor specializing in fixed income products. He "guaranteed" a 4% return, over and above the fees they charged. He instructed the manager not to buy funds, just individual investments. When he looked at the bonds he bought, he realized they were one level above junk bonds and very high risk.

When ten-year treasuries are paying historic low interest, it requires a lot of risk to garner 4% over and above the advisor fees. The financial advisor found the investments that produced the yield. Things will be fine until some of the high-risk bonds default.

> ***If it sounds too good to be true, it probably is!***

12. DO find an educator. I saved the second most important point to last. Most marriages evolve into a delegation of duties among spouses that is expedient. I generally looked after finances. My wife has a nursing background and looks after the health of our family. When the nurse asks about my medications, I hand them the list my wife gave me.

While that division of duties may be expedient when you are working and raising a family, what happens when the financially savvy spouse dies? The surviving spouse is highly vulnerable. We have seen friends get fleeced by financial predators.

When you interview a candidate, look for an educator. If he/she can't explain things to my wife, in terms she can understand (without feeling put down) we look for another advisor.

Our life savings has to last both of us for the rest of our lives. Both spouses must understand how your money is being invested. A good financial advisor is an excellent educator.

DON'T settle for anything less!

If you are interested in a more, in-depth analysis, we offer a special report titled:

"How To Find A Financial Advisor To Meet YOUR Needs"

Limited Time – Save 20% (Use code: **FFA20**)

This 62 page "How To" guide takes you through the entire process.

"Get it right the first time" is a ***MUST!*** You can't afford a costly mistake.

This report will save you countless hours of time, frustration and effort. You will be armed with knowledge that will give you the upper hand and confidence. In easy to understand, everyday language, the report details, step-by-step, the following topics:

- How much money do you need to retire?
- What type of financial help do you need?
- Are you a candidate for a financial advisor?
- What are you really trying to accomplish?
- Where do you find competent professional help?
- What questions should you ask when interviewing potential candidates?
- How do you manage a Money Manager?

Velda K., longtime friend and subscriber overwhelmed me with her review of the report:

> *"I highly recommend purchasing and reading Dennis Miller's new report, How to Find a Financial Advisor to Meet YOUR Needs. This report is a good read even if you're just starting a job or already retired. There is*

worthwhile information for everyone. I am still working even though I am way past retirement age and have been running the same company for 30+ years. I found myself wishing I had read this 30 years ago.

The first few chapters were a little slow for me and I kept thinking…ok, let's get to the good stuff. Hang in there…because once I got past why it was written, I couldn't stop reading. Even though I don't invest in the stock market I still learned a lot about it. Please take this seriously, this report is invaluable. It not only tells you the pitfalls and how to avoid them but also the actual questions to ask.

You definitely want to take this report with you when you interview a financial advisor. I know Dennis professionally and personally and read his blog as soon as I get it. He is a man that does his homework and can be trusted. Great job, Dennis!"

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