

When You're Serious...

by Bradley R. Newman, CFP®

What Should You Pay An Advisor For?

Here we are at the end of another year, a natural time for reflection. As you reflect on financial matters, a different question to ask yourself is “What am I paying my advisor for?” Or more aptly, “What should I be paying them for?”

Let's start with what you shouldn't be paying an advisor for – you shouldn't be paying them to merely be pushing buttons on your behalf - what you should be paying them for is knowing which buttons to push. The number crunching and implementation is the easy part, what you need is proactive critical-thinking.

Problem Prevention

What is better than a problem solver – a problem preventer, someone who prevents the problem from occurring in the first place. The best advisor is one who knows your situation in great detail, knows your goals in great detail, knows where you stand in relation to meeting those goals and consistently anticipate potential roadblocks, issues or problems before they occur.

In short, they are not in the problem solving business, but are in the problem avoidance business. As the great Wayne

Gretsky said ‘you shouldn't skate to where the puck is, you should skate to where the puck is going to be’.

Protect You from Yourself?

We all have the potential to be our own worst enemy at times and, more often than not, the root cause is that we let our emotions get the best of us. From a financial perspective, an independent and disciplined approach to risk management should be one of the things that you are paying your advisor to provide.

They should know your circumstances and make certain that you are taking enough risk in your portfolio to allow you to reach your long-term goals, but not allowing you to take more risk than you need. The other critical component is to identify when it makes sense to change your strategy; it is unlikely that the strategy you employ in your mid-40's will be appropriate for you in your mid-60's.

The Dutch Uncle

There are an awful lot of details, variables and moving parts involved in appropriately planning and investing for retirement, but at the end of the day, there are only two questions that you pay an advisor to answer:

- Have I accumulated, or am I accumulating, enough assets to retire?
- How do I turn those assets into a consistent income stream?

You should be paying your advisor to create and implement a comprehensive and integrated process by which you can answer both questions; note the answer

is not to buy an annuity. The answer will have several sub-parts; how much should I allocate to retirement savings each year? What types of accounts should I use? How should those accounts be invested? When should I alter or change my strategy?

What should you be paying for? You should be paying for proactive, critical thinking – not a place to buy, or often times, be sold investment products. Make sure that is what you are getting.

Bradley R. Newman, CFP® is with Roof Advisory Group, Inc., an independent investment management and financial advisory firm based in Harrisburg. The firm is a fee-only Registered Investment Advisor that provides portfolio management and financial planning services for individual and institutional clientele. The firm's email address is invest@roofadvisory.com.