

How Much Does Convenience Cost?

by Bryson J. Roof

As a busy professional, bundling retirement planning, insurance planning, estate planning and tax planning into one appointment seems convenient. Time is money, so why schedule multiple appointments?

The simple answer: specialists provide expertise. For example, family doctors specialize in preventative medicine such as annual physical screenings, whereas a cardiothoracic surgeon is the logical choice for a triple bypass. Lawyers must successfully matriculate from law school and pass the grueling bar exam to practice law, yet a tax attorney likely isn't your first choice for a personal injury case. You rely on specialized practitioners for medical opinions and legal counsel, why wouldn't you seek the same quality advice for your finances?

Beware of the One-Stop Advisor

While a one-stop advisor may have been appropriate early in your career, you have reached a level of success where you are now facing multiple financial complexities worthy of true expertise. The financial sector is an ever changing landscape; as such, it is impossible to maintain proficiency in the entire financial service industry.

The Holistic Fee-Based Planner:

Many financial advisors claim expertise in holistic financial planning. Holistic plans often result in a sales tool conveniently recommending financial products the fee-based advisor sells: costly mutual funds, expensive annuities, long-term care and life insurance, etc.

The inherent conflict of interest often leaves clients contemplating whether the recommendations are in your best interests or the fee-based advisor's best interest. Avoid potential conflicts of interest by hiring a fee-only investment advisor to develop a customized financial plan. Engage an independent insurance agent to implement the proposed insurance program.

The Tax Advisor Dabbling with Investments:

Recently tax preparers have entered the investment world as a way to increase their revenue stream. For the first quarter of each year, accountants regularly budget sixty to seventy hours a week to complete their clients' tax returns. Think back to the first quarter of 2009. According to yahoo finance, the S&P 500 plummeted over 25% from January 2, 2009 to the bottom of the financial crisis on March 9, 2009. During the first quarter of 2009, tax advisors were faced with a monumental dilemma: prioritize income tax returns or risk late filing penalties and focus on the investment markets. Either decision triages a portion of your finances. The last fifteen years have included the tech bubble, the financial crisis, September 11th, the flash crash, etc. Investment management is not a job nine months of the year. Separate your tax advisor and investment manager to keep both aspects of your finances top priority.

Coordinate with Trusted Advisors

After a detailed conversation, a fee-only investment advisor can develop a detailed financial plan. A qualified estate planning attorney delves deeper into transitioning wealth upon your demise by drafting the appropriate legal documents such as trusts and wills.

Moreover, your legal counsel may recommend specific registration of assets and beneficiary designations to maximize the estate tax exemption. Remember, an estate plan is only effective if appropriately implemented. Charge your investment advisor to work closely with your attorney to make account registrations and beneficiary designations match the exact language in the estate plan.

Likewise, it is imperative for your investment manager and CPA to maintain constant communication. CPAs provide planners with a wide spectrum of valuable insight. For example, determining a business valuation prior to a sale is a critical component of projecting retirement funding levels. Additionally, CPAs can provide the investment manager with the appropriate distribution ratio of tax deferred savings and taxable investment accounts to create the optimal income taxation during retirement.

By segregating your investment advisor, insurance agent, tax advisor and estate planner you have effectively created a team of specialists working on your behalf. Your advisory team provides expert advice from differing vantages, providing you with an added layer of checks and balances.

Bryson J. Roof 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 providing portfolio management and financial planning services to individual and institutional clientele. The firm's e-mail address is invest@roofadvisory.com