**10 Things Your Broker/Financial Adviser Might Not Be Telling You**

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**By Money Coach Bill Stanley**

Your financial person might not be totally forthcoming in these areas:

#1 – Their “trust” status. The key word in the financial industry is "fiduciary" meaning "involving trust." A fiduciary is a person or legal entity that has the power and responsibility of acting in your best interests in situations requiring total trust, good faith, and honesty. As a Registered Investment Adviser, your Money Coach is a fiduciary and legally bound to put you, the client, first. Someone who sells you a financial product for a commission most probably is working on his/her retirement, not yours. A firm that charges by AUM (Assets Under Management) is looking to increase their bottom line, not yours. They want your every dollar under their management, which might not be the best for you. There are many in the financial industry fighting the fiduciary standard. My advice - don’t give them your money. I once asked a financial person if she is a fiduciary. Answer: “Depends on what you mean by fiduciary.” Do not accept that answer. Trust is essential. Ask for it.

#2 – Your money is your responsibility. You may ask for financial help, but hire a professional, not a salesperson. With a client, I am the Chief Financial Officer and my client is the Chief Executive Officer. It is the wrong approach to give your money to someone who says, “Give me your money; I will take responsibility for it.” Educate yourself about investing. It is your Money Life.

#3 – How much you will pay. Advisers can charge in multiple ways and earn money in many more ways. Direct fees include annual Assets Under Management payment; an hourly fee (avoid these as it tends to make them work v e r y s l o w l y); project fee (set fee for a certain task or a certain period of time). Then there are commissions on financial and other products that they sell. In addition to “management fees,” your investments each have individual, often hidden fees. Ask for full disclosure. Years ago, one big financial company charged 1.5% annual fee to manage an S&P 500 Index Fund. At the same time, another financial company had the same fund with the same stocks with an annual fee of .07%. Do the math - same stocks, 21 times more fee. I do what I call a project fee – a flat rate for so many meetings in so many months. In addition to the meetings, my clients can email or call me without additional cost (up to a limit).

#4 - Your money might do better someplace else. Compare your adviser’s interest rates on cash against your bank cash and CD rates. I use an online bank, Ally.com, for extra cash (current 0.5%). I recommend I-Bonds - U.S. Government inflation-protected savings bonds, current rate 3.57%. Bond funds can fall below the purchase price; I-Bonds do not. A Financial Adviser doesn't get a commission on I-Bonds - enough said.

#5 – "You need an annuity so your money will not run out." Most people who buy annuities don’t understand the purpose of an annuity. Yes, an annuity, like Social Security, will provide income for a lifetime. But you must annuitize it, i.e. begin to take the money out. I’ve seen figures as high as only 3% of annuity owners annuitize. The other 97%, in my opinion, are helping the financial adviser (i.e. salesperson) meet quotas through some of the highest commissions in the industry. Be careful!

#6 – You need a Financial Adviser, not a debt adviser. I respectfully disagree. I work all sides of the coin – saving and spending and managing your debt. Managing money is more than just investments.

#7 – A Survivor Plan is not on a Broker to do list. As a Money Coach, I want to see Legacy Planning, and a Survivor File is top of the list. The transition should be clearly thought through and ready to implement without a bunch of lawyers. On the other hand, some financial people take it too far. I have a client whose previous Financial Adviser put her own name as beneficiary on a client account. There is a lot of foul play in the financial industry. Beware!

#8 - Your financial guy or gal may not care about Spending Plans or Buckets of Money set aside for specific experiences. He or she most probably abhors spending since it reduces assets under management.

#9 – Risk assessment is important. You must know your level of risk tolerance and have a plan to protect your Financial Future. You need to insure your money will be there when you need it. Speaking of insurance, your Financial Planner will only be interested in life insurance if they can sell it to you (and make a huge commission). I believe life insurance should be term insurance with its only purpose to provide money when you pass. Whole life is just an expensive, commission-driven investment.

#10 - Which is better ETFs (Exchange Traded Funds) or mutual funds? Morningstar says ETFs are 21st century, mutual funds are 20th century. A Financial Adviser who makes commissions generally will opt for company-owned or affiliated mutual funds. I like ETFs, so should you.

Bottom line: It’s your money, your responsibility. Educate yourself. Use a Fiduciary.

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