I Got A Guy

A Guide to Working with a Financial Advisor

By M. Scott Brown

Introduction

Hi, I'm Scott. Thanks for downloading this guidebook. I've been a financial advisor for 36 years here in Orlando, Florida and I've seen it all when it comes to money. This includes, but is certainly not limited to, investing, retirement funding, insurance, tax planning, and goal setting. You can't scare me. I've worked with folks from just about every profession including plumbers, landscapers, and lawyers (insert hacky joke here).

If you've never used a financial advisor, if you don't know what to expect, if you're worried about wearing the wrong socks to our first meeting, this guide is for you. It's a short and sweet primer for building a productive and profitable relationship with a financial planner. Socks optional.

Chapter 1

Who should use a financial advisor?

When the question comes up about who should be using a financial advisor, the answer is “you, probably.” We shouldn’t put limits on it. For example, I don't think your age matters at all. Better questions for our purposes here include:

1. How do you intend to use a financial advisor?
2. Will you engage their services for the short term or the long term?

If you're new to investing and just trying to understand the lay of the land, so to speak, you may only need to have a conversation or two. In this case, your best bet likely looks like engaging a financial advisor on an hourly basis to put together a quick plan you can execute yourself for a few years: “Hey, what would it cost me to have an hour of your time so you can help build me a financial plan?” Those kinds of advisors are out there and they're not that hard to find.

There are easily four to five things that a financial advisor can tell you in an hour that could probably save you ten hours on the internet. And a lot of times when you're “doing your own research,” as they say, you're likely getting bad information and making bad decisions. Go to a professional, pay them whatever their fee is for an hour, even if it’s $300. It's well worth your time and money to do that as a first step.

If you're looking for someone to hold you by the hand and say, "Hey, here's how you get started. Let's meet regularly to keep you on track," certainly you can find a great advisor to do just that. You can be young or old, married or single, self-employed or salaried. Keep in mind, however, that if you're going to use a full-service advisor like myself, meaning you're looking to work with somebody who does wealth management, tax planning and asset allocation, as well as philanthropy and trusts, your asset level probably needs to be in the $50,000 to $100,000 range before that engagement is going to make sense.

At the end of the day, anybody can use a financial advisor and most likely should do so. You're a good candidate for a planning conversation if you're trying to:

- Save to buy a home
- Put a kid through college
- Build a reserve fund
- Create a retirement plan
- Minimize tax expenditures

Regardless of your unique situation, there are numerous things a financial advisor can tell you that can put you on a better path than you might have chosen on your own. If you're self-employed, for example, you might be wondering: "Is there a retirement plan I can build for myself?" Of course, the answer to that is yes. There are numerous choices including 401k SEPs or profit-sharing plans. Individual 401Ks can even be built. So, there's a variety of choices. Which one makes the most sense to you is determined by your income level and your desire to save. Having that conversation alone can save somebody thousands of dollars a year in taxes.

Chapter 2

What *is* a financial advisor?

Who, exactly, gets to call themself a financial advisor? What even *are* they? This is a whole confusing thing, and the answer runs the gamut from insurance people to financial coaches to you-name-it. People who sell penny stocks might call themselves financial advisors. Somebody who sells crypto may call themselves a financial advisor. You get the idea.

There are people from all walks of life and all kinds of professions who will call themselves financial advisors. The landscape out there is downright confusing. Sometimes accountants will get into this business – I've seen some good ones and I've seen some not-so-good ones. Financial advisors come in many shapes and sizes. I'm often surprised by the people who call themselves financial advisors, but it's not my job to police our industry.

Look for CFP® Practitioners & Fiduciaries

Most people refer to the CERTIFIED FINANCIAL PLANNER™ designation as the gold standard in our business. I personally am not a CFP® Professional. I am a Wealth Management Specialist; I got a different accreditation. But I also have 36 years of experience and it just wasn't something I felt I needed to do when it came on the scene, after having worked in this profession as long as I have. Going forward, however, I do think it is the standard for people operating in this field.

There are also accredited fiduciaries. So, when it comes to financial advisors and who to work with, it depends on what you want. If you go to an insurance agent, my experience tells me that, as you might expect, they're going to sell you insurance. I'm not claiming those policies are the wrong choices. But I am saying this should give you pause. If you go to see someone who only has a hammer, they're going to see everything as a nail. Sometimes insurance solutions are correct, and sometimes they're not. But if the only solution the person you're working with has to sell you is a life insurance policy, the odds are pretty good that's what you're gonna get.

A Holistic Approach to Wealth

I stay in my lane. I am a wealth management person, which means I believe in a holistic approach to handling money. I work with a lot of entrepreneurs and professionals as well as blue-collar folks who have built their own businesses and have managed to be good savers. A lot of my clients are not people who were high-end professionals. They weren't doctors or lawyers; they were people who worked hard and saved really well. Certainly, those people need guidance just as much as anybody else. Regular people sometimes have irregular money, but no matter who you are or what you do for a living, you want to pick an advisor who understands the landscape when it comes to:

- taxes
    - products

- cost
- trusts
- estate planning

And, most importantly, is willing to work with your other professionals in those categories.

Chapter 3

What is this going to cost me?

One of the most common questions I field is, “How do I pay a financial advisor?” Historically, people think of this profession using that old stockbroker mentality, meaning that when I buy a stock or sell a stock, my stock broker charges me a commission. Let me tell you: that world is largely disappearing. Commissions are mostly – although not completely – a thing of the past. If I had to guess I would say 70 to 80% of the way the average person pays for a financial advisor is by using a fee-based system.

Your Tour Guide Through the Maze

Fee-based means that if you have your money with an advisor, that advisor charges you a percentage of the total portfolio they manage for you. Sometimes it's half a percentage point; sometimes it's 1%. They get paid a fee when they meet with you to manage tax planning, estate planning, to fill out the forms that need to be filled out, or to take care of distributions that need to be made. Fees can be charged annually, quarterly, or monthly for the services provided. Basically, that advisor is there to be your concierge, your tour guide, through the maze that is the financial regulatory system. They take a fee to answer all the questions that come up for just about everyone, including:

1. What retirement plan is right for me?
2. What deduction should we take this year?
3. How much can I put into it?
4. What asset class should I be in?
5. How do I get money from A to B?

These are all things that financial advisors address for their clients that have – deep breath here – *nothing to do with predicting the stock market.*

Fees are a question for most people new to financial advising; it's one we get pretty frequently. And the question people ask really boils down to this: “Why would I pay somebody to do this when I can do it myself?” And that can sometimes be a hard question to answer. Because they are thinking, “If I have $50,000 and I pay somebody $500 a year to manage it, then my money won't grow by that $500. Right?” I get that concern. It’s a fair statement, but the reality is a financial advisor should be worth much more to you than the fee they charge.

The reasons people with advisors do better long-term versus those without them are numerous. The main one is emotion: having somebody there to hold your hand a little bit when the market gets punched in the face. That advisor is there to say, "Yeah, I get it, and I know it's nerve-racking and I know your statement looks like Swiss cheese right now. But the worst thing you could possibly do, unless you have concluded that the entire capitalistic American system is about to falter and go to its knees – in which case there's nothing you can do anyway – is to bail right now. This is a very bad decision on your part." Helping clients manage their emotions is part of the job – providing that psychological support is part of it.

Some of the value of a financial advisor is more analytical, meaning there is a lot of concrete, immediate value in having somebody say, "Do this instead of that. Make this tax deduction instead of that tax deduction. Harvest this tax loss versus that one." There are countless situations where an advisor can bring value to you, beyond trying to serve as a crystal ball.

The Crystal Ball Theory

The Crystal Ball Theory says, "I'm going to pick the advisor who has the best crystal ball." The people who do that, unfortunately, never get what they pay for because that's *not a thing*. They go from advisor to advisor to advisor looking for the one who has the crystal ball, someone who will tell them when the market's about to go down and when the market's about to go up. This cannot be done and it's the advisor's own fault for not getting rid of that notion to begin with. Because the reality is we don't know the answers to those questions. So yes, fees are a big question but I am here to tell you that a good financial advisor is worth much more than they'll charge you.

Most advisors nowadays charge a percentage fee on an annual, quarterly, or monthly basis, typically between half a percentage point and a full percentage point, depending on the size of the account. That's a good thing because the advisor is now incentivized to grow the account. The more the account grows, the more the advisor gets paid. The less the account grows, the less they make. So, you are aligned in that instance. And the beauty of this system is also that, unlike the old days when you would be charged to make changes, you can now pack up your toys and go anytime you want. There's no back-end charge in this scenario.

Chapter 4

What should I expect from this relationship?

The next concept I'd like to introduce is how to think about the relationship you'll have with your financial advisor – as in what they can and can't do for you. Newbies need to understand if they go into this relationship with the mentality that an advisor is going to tell them the secrets to an outsized return, that the advisor knows the secret sauce, or exactly which individual stocks to buy…they'll probably be disappointed.

Sure, it's fair to expect an advisor to be good at research. It's fair to ask that they know what equities or companies to invest in for the long term. They should understand asset allocation – the optimal correlation between stocks and bonds and real estate for a particular client. Yes, that advisor should be schooled in all these things and that is possible. But even if they are schooled correctly, you're going to have bad days as an investor. So, if your expectations as my client are off, we're going to have an issue.

An Advising Partner Is Not a Yes Man

If your expectation is that a financial advisor is going to save you from all the bad stuff that happens to markets, or that you are gonna make 25% a year, you're going to be upset and you're going to be disappointed. On the other hand, if you go into it saying, "I want someone to be my partner, and I want them – at a reasonable price – to help me navigate the difficulties of the market, help me navigate the difficulties of tax planning, help me navigate the difficulties of administration," you'll be good.

There are a ton of administrative issues with investment accounts, by the way. Lots of regulations, lots of SEC rules and FINRA rules and acronyms that go on forever. With this in mind, then, having somebody who will work hard to help you get where you are going, someone who will keep you disciplined and on track, is invaluable. A financial advisor is there to say, "Hey, you were supposed to put $5,000 in your IRA last year and you didn't do it. That is not what we agreed to. What's up?" You need somebody who's willing to tell you what you don't want to hear. You don't want a yes man as your financial advisor.

What you want from a financial advisor is ultimately a partnership in which they're willing to work hard and communicate well. I think those things are the key. And if they're honest and well-intended, it will be a valuable partnership. Communication is a big one. Most people leave their financial advisors not for performance reasons, but because they don't communicate. So, they need to work hard, communicate, and be honest. If you get those three things, you've got 95% of what you need. And if they happen to be pretty good with asset allocation and picking stocks and bonds, then you've hit a home run.

Individual Stock Pickers

If a client comes to me and they want to buy individual stocks, I'll do it under certain circumstances. All advisors are different. They all have different policies, so this is another thing to think about when you're picking an advisor: Do *you* want to manage your money? Or do you want the *advisor* to manage your money? Because if you want

People have lost a lot of money in cryptocurrency. One of my guiding principles is if something doesn't make sense, you probably shouldn't buy it.

Crypto doesn't even make sense to people who are *in* crypto. If you ask 10 crypto people, "What is it?" you'll get 10 different answers.

I've been to several conferences where crypto "experts" spoke and I didn't feel any better about it when I left.

to manage your money, you probably shouldn't even give it to the advisor. If you're going to open an account somewhere to trade stocks and you want to buy NVIDIA or Microsoft or Apple or whatever it is, why are you paying an advisor? Because, as I like to tell people, when things go south, you're gonna blame me anyway. So, you might as well let me manage the money.

If you're a person who likes to pick stocks, if that activity is actually fun for you, if you say, "I enjoy asset allocation. I have a system that tells me the probability of me being successful, and I've done a budget and I know my tax implications," then go trade some stocks! The problem is the fact that this is all true of almost nobody. But let's assume you're that person. You really don't need a financial advisor. That's probably one in 10 people, and even that estimate is probably pushing it. Unfortunately, four in 10 people *think* they're that person. Three of them are wrong.

If a client comes in and says, "Hey, I've had Apple for 20 years; I got it on a low-cost basis and I can't afford to sell it. My grandpa gave it to me." That's fine; we'll take it and we'll set it aside. Or, if a client wants to have a fun account where they're picking a couple of stocks a year just to see how they do because they think they'll enjoy it? Great.

But if somebody comes to me and says, “Here's my million dollars, I'm going to tell you what stocks to buy,” they won't be my client because *I* manage the money when people give me money. They give it to me because they want to go play golf or go on a boat ride; they don't want to manage money. But again, everybody's different. All advisors have different policies so you need to make sure what you want suits their policy, because a lot of advisors will just say yes to get the money. And then you're going to have conflict.

In my case, if somebody comes to me and says, “I want you to help me manage money,” yet they've got 14 stocks and say, “You're not going to sell any of these are you?” I'm going to reply, “So, let me get this straight: you came in here to pay me to keep the same 14 stocks that you already have?” There's more to managing wealth than fighting over individual stocks, of course. But when my clients want to pick specific stocks or invest in cryptocurrency, I'm generally a no on that. I will make exceptions but very few.

Chapter 5

The right attitude

If you're going to have a financial planning meeting and engage an advisor, you must have the attitude, "*I'm going to engage*."

What does that mean?

Well, it means, "I am going to come in, I am going to sit down, and I am going to bare my soul when it comes to money – the good, the bad, and the ugly."

If you've got that one credit card and hate to tell anybody about it, you need to tell me about it. Because if you're not willing to be honest, I can't help you. And if you're not willing to act on my recommendations, you're wasting your money. If I tell you to get rid of that 18% credit card before you put a dime in your 401K and you don't listen? That's not on me. You've just paid me to ignore me.

The biggest thing is trust. I talked about this recently on a radio interview: the cost of mistrust. If you don't trust your advisor, you'll waste a lot of time. I gave the example of a mechanic. I have a little mechanic up here in my neighborhood that I grew up going to for 20 years. If he tells me I need a radiator, then I get a radiator. But if you're the person who is not sure when they say you need a radiator, you're spending most of the next five days driving around to different mechanics, determining whether you really need a radiator. That process born from a lack of trust costs you your most valuable commodity in life: your time.

The Value of Trust

My clients generally trust me and have this attitude: “I pay you; *you* do it. If you think I need to go from A to B or from Z to Y or whatever, go ahead. Why are you bothering me about this? I'm playing golf.” That is what I typically hear from my clients. If you don't have that kind of relationship – and you won't have it at first – but if you get a year or two in and that's not the feeling you have, you should ask yourself why. Because if my mechanic tells me I need a new radiator, I'm like, “alright, put it in. I'll see you at five o'clock.” That saves me time, worry and effort. I want all my clients to feel that way. And if they *don't* feel that way about me, they should not be with me – and they certainly shouldn't be paying me. Trust is everything.

You should go into a relationship with a financial advisor by saying, “My goal is to build enough trust with this person that I don't have to have lengthy conversations with them every three weeks to deal with these accounts. I need to shut up and say, ‘no problem.’” Because if you don't trust somebody, it's going to be hard for that advisor to do a nice job for you. I have had new people who were thinking about hiring me who are a bit adversarial, and it’s not great. If you're adversarial to the point where you're actually trying to catch your advisor doing something wrong, you have to move on. Either you're just not a candidate for that kind of relationship, or I’m just not the right advisor.

Some people have trust issues, and that's too bad. You could be with them as an advisor for 10 years, being as honest as the day is long, answering every phone call, talking through every problem, and they will still not trust you. And that makes it so difficult because now, as an advisor, I have to take 10 extra minutes every time I talk to this person to make them feel good about what they're paying me to do. You should be rooting for your advisor. You should want them to succeed. You should want them to get paid, because people who don't get paid typically do not do a very good job. Success is in large part about the investor's attitude and their appreciation for a partner in what is a very difficult and complex financial system.

Optimism Wins

The biggest thing for me is the effort on the part of the client and their willingness to be a teammate. A big part of it's just having the right attitude. If you come in and you're optimistic and you're a can-do person, we'll do well together. From time to time, particularly in an election year, I hear from the gloom and doom people who are convinced that the next election is the end of the world. And the one thing I would say to people is this: If you believe it's the end of the world, and it's going to be apocalyptic and dark skies and road warrior and all those fun things, *investing doesn't matter*. It simply doesn't matter. It doesn't matter where your money is gonna be.

But if you come in and say, "Hey, sometimes signs are good. Sometimes times are tough. Politicians come and go; they make a lot of noise. But let's stay the course," I'm glad to hear that. Instead, we get all angry with each other because we're not wearing the right color, red or blue or whatever it is. Somehow, over the course of American history, our capitalistic system endures. If you believe that we will go through difficult times, and you will be tough during those difficult times, you will be steadfast and you will be deliberate about staying the course, you're more than likely going to be fine.

If that's your attitude, and if I'm your trusted partner, or whoever you pick as your financial advisor is your partner and is willing to say the things that will keep you in your seat when the ride gets bumpy? That's excellent and it’s really what it's about. It goes back to attitude. I believe that the right attitude with an advisor can produce positive results. I know lots of financial advisors who are great at what they do. The only thing they care about is their clients’ success, which is probably why they're successful. Their biggest job is holding people's hands, making sure their clients understand what's happening, and ensuring they're reacting in the right way when bad things happen, because they are going to happen…9/11, the 2008 recession, 1987 Black Monday, I could go on forever.

I’ve personally seen 36 years of things that were bad and we got through all of them. If you believe we will have bad things happen, and you trust me to get you through them, we're going to do great as partners in your success. But if you come into my office every time there's a big newspaper headline and tell me the world is ending, it will likely not go well.

Chapter 6

Setting Up to Succeed

A lot of people have multiple accounts when they first come into my office. That's okay; we'll figure it out. They may have a 401K from that one place they used to work, and an old Roth IRA they inherited from a parent, and the 529 plan an insurance guy sold them 100 years ago. The point is, most people have these loose ends bouncing around, and the truth of the matter is the first few months of a relationship with a new financial advisor involve quite a bit of paperwork. Why? Because we're talking about a highly regulated industry. Getting your financial life in order is similar to buying a house: there are a lot of forms to fill out. It's a commitment. So, if you're going to commit to an advisor know there's some work, especially on the front end.

We determine things like:

1. Do you have a ROTH? Well, then that has to go into a ROTH.
2. Do you have an IRA? Well, then that can't be combined with the ROTH. Instead, that's gonna go over there. And we need to check that you're adding money to get a tax deduction.
3. Is it a joint account? Is there a trust on the account? What's the date of the trust? Is it a joint trust or a single trust?
4. Is there a transfer upon death?
5. How old are you? Because if you're 70 and above, we have to worry about required minimum distributions and if they are being taken out correctly.

This is far from the entire list; there are literally dozens and dozens of things to consider when opening accounts and transferring accounts.

The good news is that a great financial advisor will have a strong team in place with people who are skilled at administrative tasks. Sure, addressing questions and filling out the correct forms will still be a pain in the behind – but it will also be somewhat seamless in so much as these folks can guide you down that road.

It may come back to trusting your financial advisor yet again. There will be numerous forms required to open an account or transfer an account in from another institution. Generally, those forms are written by lawyers with a lot of legal terminology. You may struggle to understand some of them. Your financial advisor can help guide you through the purpose of the forms and answer any questions you may have.

Chapter 7

Products

There are mutual funds, annuities, ETFs and all these words and acronyms in the financial planning world that people hear and get freaked out about.

- So, what's the difference?
- How do they all work?
- Is one better than the other?

Great questions! One of the things people have to understand when it comes to what a financial advisor does for them is that some of them, many of them, do use products to meet clients' needs. Our team does not. We manage our money in-house. But that's not always the case with all financial planners or wealth advisors. I have a big team, so I'm able to do that.

Why *This* Product?

What you want to understand from your advisors, is this: why did they pick a particular product for me? What does it cost? Why does my advisor think it's worth paying that cost? What are the advantages of buying an annuity? Why, exactly, am I buying an annuity? What does it cost? Why am I buying an annuity instead of a mutual fund? Why am I buying a mutual fund instead of an ETF? Why am I buying an ETF instead of buying individual stocks? You need to understand the answers to questions like these.

This is no different than how things work in the medical industry. There's a reason you're getting that Pfizer drug, for example, instead of the Astra Zeneca drug. It is because somebody walked into that doctor's office and said, "Hey, here's a cheeseburger. Will you use my drug?" We laugh, but that's largely how it works.

There are people in our industry who push products. They want to come into our offices and say, "Use my mutual fund. It's great and here's why." Sometimes, it's true. Most of the time, it's not. So, you have to take the time to understand, "Did I get this mutual fund because my advisor had a steak dinner with these people last night, or did I get it because it's actually the right thing for me?"

Economic Shifts

In this higher interest rate environment, sometimes the calculation of where to allocate your resources shifts and you want to work with a savvy advisor. For our purposes here, a potential client should ask, "How do you, as an advisor, view economic shifts and how do you react to them?"

Right now, interest rates are higher than they've been in 22 years. If you asked people seven or eight years ago, "Hey, if I could get you five or six percent return per year on your investments, would you be happy?" They'd all say "Yes!" all day long. Now you can buy a two-year Treasury and earn five percent. You can buy a money market and earn even more right now. So, we try to make strategic shifts where we think it makes sense – not in the short term, but in the long term.

I'll give you an example. Because we've made a big shift to fixed income, meaning we bought a lot of bonds – $20 million dollars worth of bonds yesterday – a lot of people have asked me, "Why did you do that when I can get 5% in a money market? You're only getting me five and a half in the bond market." I reply, "The difference is I am getting you five and a half for the next 20 years. The second the Fed pauses and then drops rates, your money market is going to go back to two or three percent. I'm gonna get that five and a half, which is a historically high number, for the next 20 years."

If we keep in mind the fact that the average person wants to earn six, seven, or maybe eight percent a year, I'm getting three-quarters of the way there in a comparatively lower-risk asset class. We don't have to take a lot of risk on the stock side. I will take some, but the chances of me blowing that person up by taking on a ton of risk to get at six? I don't have to do that right now. There may come a time, 10 years from now, when I have to do it again. But that is not the case today. So, I think the question that somebody should ask of an advisor is, again, "How do you view economic shifts and how do you react to them?

It depends on the goals of the person in front of you. Have a goal conversation upfront. Somebody would ask, "Well, how do you know what to put me in?" And that's an excellent question. It goes back to my life insurance salesman conversation. If all that "financial planner" has is a hammer, everybody's a nail. Not great.

Chapter 8

The goals conversation

In our process, we work backward. We don't even talk about asset allocation until the very end of our conversation. Instead, when you come in, I want to know things like:

- What are your hopes and dreams?
- How much do you save in a year? How much have you saved so far?
- Where's your money? Is it in a tax-qualified account? Is it not tax-qualified?
- What's your housing situation? You want to buy a house in two years? Okay.
- When do you want to retire? In what way? You want to retire in 17 years, you make $100,000 a year, and you'd like to replace 80% of that income when you retire? Got it.

We take the information you've given us and do what's called a Monte Carlo simulation. We run 1,000 simulations and say, "If we can earn you 5.43% per year, there's a 98.2% chance we'll be successful, so that's the goal." Unfortunately, a lot of people don't even know what rate of return they currently earn. And they only want to earn more than their neighbor. That's really their goal, with no understanding of what that means.

Because every step I take out onto the plank to earn a higher rate of return adds more risk – more bend to the plank. My process aims to succeed with less risk. This looks something like this: “Laura and her husband have this much money and save this much money each year. They’re going to retire in twenty years. They’ve paid off their current mortgage but want to buy a second house in Wisconsin in two years. She's got a couple of kids she needs to put through college as well, so she needs to earn 6.2% at her current savings rate with the money she already has saved. If she earns that, she will be, by her own description, successful.”

Most people don't operate this way. Instead, they ask, “What can you get me?”

The answer is, “Who knows? How am I supposed to know that?”

I know that I can build a portfolio, fairly safely, that could on average a return of, historically 5.4%. Today, I may say, “Look, you don't want 5.4. We want to try to get six or seven so we have a little wiggle room.” Regardless, by having that goals conversation and by defining success for an individual person or for a family, we know every year when we sit down how we are doing. It becomes much easier to figure out if we are on track because if I earned Laura 6.43% in the last year, I was successful. If I earned 10, great. If I only earned two, then we discuss how we are going to get that back next year. What are the moves we need to make now to stay in line?

The Endowment Factor

I call this kind of planning the Endowment Factor. And what I mean by that is when Yale and Harvard sit down with their $40 billion endowment, they don't look around the room at each other and ask, “What do you want to earn?”

Instead, they say, "We have $40 billion. We're going to bring in $2 billion in donations this year, give or take, and we have to build a new sports complex. We need to send our sports teams here, there, and everywhere. We have to hire this many more professors, fund this many more scholarships," and so on and so forth. Then, they use that information to say, "In order to do all of this, we have to earn 5.8% or 6.4%. Done."

The average American does not think like this. The average American says, "What can I earn?" That's an open-ended question with no answer. Because you could earn 10% and still lose, if you're way behind on your saving. I need my clients to think about and communicate to me what they want; and what they're trying to accomplish. Doing this can be tough. But it's okay to define what you want and then change it down the road. That's okay. I especially tell people who are under the age of 50, "Whatever you're telling me today is going to change, but we've got to start somewhere."

We need a baseline. So, when a client comes in, and they're 48 years old, and they've got $200,000 saved and they need a million, we can make a plan. So that when the market goes in the toilet and they've lost 10% because that's what markets do sometimes, we can stick to the plan. Their success score isn't going to be the same that year. And then the question is going to be, "Well, Scott, what do we do? Because now we've fallen a little behind!" The answer isn't, *get a better stock market.* The answer is, "Save a little more. Maybe don't buy that new car till next year; maybe retire at 66 instead of 65." We can run all those simulations, but the answer can never be, "Make my returns higher." Because while there are ways to be smart about investing, and hopefully, over a long period of time earn good returns, there is no short-term fix for the negative number you got last year. That's a recipe for disaster.

High Watermark Syndrome

When your portfolio hits a high number, you think, “That money is mine.” But the value is unrealized unless you actually sell at that point. It's called the high watermark syndrome. I might have a client who gave me $100,000 ten years ago, and it grew to be $200,000. Then the following year, it dropped to $180,000. They are not at all pleased with the fact that they went from $100,000 to $180,000. They are very concerned, however, that they went from $200,000 to $180,000. It’s just human psychology.

Chapter 9

Outside influences

People who engage the services of a financial advisor need to understand that outside influences are difficult on them. In other words, these "influencers" can be hard on their relationships with their planners. Here's what I mean: from time to time, somebody will come in and tell me, "My brother-in-law says I'm getting ripped off and that *his* advisor doesn't charge him anything."

Then I have to deal with explaining the realities: "That's probably not true; the advisor is earning a commission on the products he is selling," and, "I'm definitely not ripping you off." I call this the crabs-in-a-bucket syndrome. When a crab tries to crawl out of a bucket, the other crabs grab him and drag him back down. People will consistently make fun of, or pick on, things they don't understand.

I always say, "Look, if somebody's giving you a really strong opinion about your money, the first thing you want to know is: Do they have more money than you do?" Usually, the answer is no. I often find out that the n'er-do-well son-in-law is really only complaining because he hates to see me managing mom's money rather than him. So, you have to be aware that there may be people in your life who do not like the fact that you've hired a professional instead of them. You might hire a financial advisor, hear from Uncle Charlie that you shouldn't have to pay for them, and it makes you feel bad. That's peer pressure. You think, "Oh my gosh, am I being stupid?" Well, no, they just don't understand your financial situation or the potential benefits of working with a professional.

The truth of the matter is that for people who have a net worth north of $500,000 or more, most of them typically use financial advisors. If you would like to experience the benefits of utilizing a financial advisor, also, it may be worth your time and consideration. You need to be aware of the pushback and move forward with what's best for you and your financial situation. Sure, you have the internet, you have videos, you have memes, you have Instagram, you have Facebook, but it's not the same as working with a financial advisor.

For example, I see on Facebook now a person who's telling others not to put money in their 401k. Come to find out, of course, that that person is selling life insurance. My message here is to be willing to dig one step deeper. Don't just take something as truth on the surface. Also, the media is not great. When a financial journalist runs out of things to say about investments, they write an article on how bad 401k's are. Meanwhile, many clients of financial advisors have retired with a million dollars in their 401k.

Cynicism Is a Tool of Procrastination

Money is so emotional. People are definitely scared and reminds me of the fact that most of my guy friends hate to go to the doctor. Because if they don't know about it, they don't have it. Somehow magically, they're fine if the doctor doesn't tell them otherwise. But I find that people who finally get to me, typically, are not nearly as bad off as they usually think they are. The reason they're in my office is because they're responsible people. They're not afraid of change and they're not afraid to know what's going on. Cynicism about financial planning is a tool of procrastination. If you're cynical about investing, if Wall Street is just a big rip-off, if financial advisors are too expensive, you're just procrastinating.

When I hear, "The government's just going take my money anyway," I know I probably can't help you. People will say, on a regular basis, "They're gonna take your 401K away; Social Security is not going to be there when I retire, blah, blah, blah." I've been hearing that for 36 years. Like, when is this happening? Cynicism is a tool of procrastination and I think it's largely based on fear. Also, dealing with your finances with someone like me might mean that you have to change – if you're doing something wrong. First, you have to admit, "I'm doing something wrong," which nobody likes. Second, you have to actually change your behavior, which most people *really* don't like, right? Because there is no growth from comfort.

If you're comfortable, which probably looks something like, "I put a little bit of money in a 401k, and I get a new truck every two years." You have to admit to yourself you like the new truck every two years. And it's gonna feel uncomfortable *not* to do that – to instead do that every five years. So, these are the kinds of things that we talk about. Most people know what to do. But I don't think they know *how* to do it, or how to get started doing it. And they don't want to admit it. They know what they need to do: they need to be more responsible. They need to be more thoughtful, as well as more honest and humble, in their approach. That's true of almost everything: your physical health, your mental health, your education. If you want better results, you have to start thinking differently.

Do You Need a Hug?

I used to speak to large groups, at companies with 401k's. I would speak to their employee base, and invariably, there's a guy – and it's always a guy – who walks up to me with his arms crossed, and says, "This plan sucks and it's too expensive." We're talking about a 55-year-old man and on average, without fail, I would look up the person's account and he'd have $7,000 in the plan. He's not mad at me. He's not mad at the plan. He's mad at himself. I would say to him, "Okay, let me ask you a question, Jim. If I double your money and I charge you nothing, can you retire?" He'll have $14,000, so the answer is no, and clearly, I'm not the problem. The problem is that he has been irresponsible, and he now knows it. But that doesn't mean he should give up. I do have to sometimes say things that people don't like. I literally once gave a guy a hug at a 401k talk. He was so mad. I said, "I think you need a hug." I was surprised he gave me one, I thought was gonna punch me. But the point here is that you need somebody in your life who is willing to tell you, "No, that's not correct and you know it." You need somebody you can trust to tell you the things that you do not want to hear. To be fair, there are not a lot of people in that category in most people's lives. An experienced financial advisor who can do that in a kind but firm way is a valuable asset. My tool for delivering tough news is usually humor. I try to make it funny so that the message gets across but they're giggling at the same time.

Conclusion

Tell me the game and we'll play it

Focus on what's important. You can't get caught up in the noise. Don't come into my office and tell me that if this person wins the election, the whole world is going to burn. Don't tell me that if your team doesn't win, everything is bad.

"They're coming to take your stuff!" I don't care. Focus on what you can control. Last I checked, nobody can control the outcome of an election. Well, there's a joke there, but I will leave that one alone. I'll be the first to admit I get tired of talking politics with my clients. It drives me insane. I can see it coming a mile away. I'm apolitical because

I've been through Democrat, Republican, Democrat, Republican, Democrat, Republican, and the numbers are almost identical. Sure, politics matter. A little bit. But presidents have almost zero impact on economics because they're typically only there for four years anyway. By the time they get around to doing something dumb, they leave. I like to say, "Tell me what the game is and I'll play it. I'm not making the rules here. And neither are you, Mr. or Ms. Client. But once we know the rules, we'll play the hell out of the game."

We can only control the pieces on the board. So, why are we worrying about everything flying around? Complaining that there shouldn't be squares is useless, because they're there.

The focus should be on success, not on return. Return is part of the equation for success. But many times, people view a return as not good when it is just fine. They may say, "I only earned 2% last year!" Well, that may be true, but you're still enjoying a 96.5% success score and achieving the things you told me you wanted to achieve. So, why should we do anything differently? If the score drops to 20%, and now you can't buy an RV or a boat, or retire at 60 as we planned? Then yeah, you've got a real complaint. But if you yell every time your statement is negative, that the world is going end and it's terrible, that's counterproductive. I'm telling you, "Yeah, you were down 2% last quarter, because everybody was down. The market was down 5% but your success score is still 95%." What is the issue? Is your primary goal to walk around with your statement showing people your return? Or is it to take your grandkids to Disney World once a year? Because they don't go together. Yes, they're related. But one doesn't preclude the other.

Success is Easier Than You Think

I always use the same example: a person walks into my office with a million bucks. They need $20,000 a year. Success, to that person, is a 2% return. They have literally told me, "I only want $20,000; I don't need any more. I'm happy." Maybe they have another income. Who knows. The point is that we need to earn them two percent, or maybe three or four, but we know we are going to get it done. Conversely, a person walks into my office with a million bucks, and needs $100,000 a year? That's 10%. The 2% return ain't gonna work for that person. Of course, the 10% person is kind of screwed to begin with because 10% is not a sustainable number. But even if it was 8%, I might say, "Look, you'll have to be aggressive. There's zero chance of me earning you that percent return if I put all the money in a CD, so you'll have to take some risk to get to success as you defined it."

Meanwhile, if I told a bunch of people the first guy was happy because I earned him 2% a year, they'd look at me like I was crazy. But again, that's success to him. It's not for me to tell you what success is. It's for me to tell you whether success is realistic, and how you get to it.

Nine out of 10 people I do planning for with my team are shocked by how little they actually need to earn to meet their goals. Because Wall Street sells them this idea they need yachts with blinking lights and ridiculous things that nobody uses and that don't make any sense whatsoever for the average investor. We have taught them that if they just buy the right fund, or they just buy the right product, or if they just had the right trading platform, they could earn 20% a year. No one ever actually says it, but it's implied in the advertising. And it's the worst damn thing we do to people. Because most folks, when they come in, learn that a modest rate of return could be enough to meet or exceed their goals.

About the Author

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The beauty of what we do is that each client's challenges are different. Providing value to each one in a unique way is satisfying. Our practice's success is simply a reflection of the value we bring to each client. Absent that value we would have no business.

My goal is to sustain both now and beyond my tenure. To do that we must innovate and challenge our own value each day.

*Membership is based mainly on assets under management, education, credentials and fiscal year production. Requalification is required annually. The ranking may not be representative of any one client's experience, is not an endorsement, and is not indicative of an advisor's future performance. No fee is paid in exchange for this award/rating.

Workbook

1. What are your yearly expenses?

2. What is your yearly income?

3. What are your goals?

4. What are your assets? Where are they?

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