

Special Report – July 2013

12 Important Concerns to Address Before Selecting a Financial Professional

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I’m a Financial Strategist and I specialize in Safe Retirement Plan Solutions that are tailored with care. More specifically, I help my clients tackle complicated retirement issues and guide them towards easy-to-understand solutions designed to safely preserve and grow their retirement wealth. Now, more than ever, people over the age of 50 are clamoring for education and advice regarding their retirement.

One way I like to teach my clients and my seminar students about Retirement is to present it as a Puzzle. And, I like to present the puzzle as containing five primary pieces. And they are:

Puzzle Piece #1: Preserving and Safeguarding Your Accumulated Assets

Puzzle Piece #2: Setting up a Lifetime of Guaranteed Income

Puzzle Piece #3: Addressing Taxes in Retirement and Beyond

Puzzle Piece #4: Having Proper Coverage for Health Care and Long Term Care

Puzzle Piece #5: Leaving a Legacy for your Loved Ones

So, why is retirement such a pending disaster for so many people in America today? Well, one big reason is that people simply aren't given the proper advice or knowledge of how to correctly handle their financial affairs when they retire.

And, let's face it. Who has the time to sit and read every tax law, investment option, and insurance issue that you will confront in retirement? And, even if you had the time to read all this stuff, would you really understand what it all means?

Who will you turn to for Advice?

So maybe it’s time for you to finally admit that you need some help with your retirement. And it’s up to you to decide who or what sources you’ll turn to for that help.

Will it be the internet, the book store, the talking heads on Wall Street like Suzie Orman or Jim Kramer? Will it be a family member, a neighbor, or a friend who knows stuff?

Or, will you turn to a qualified trusted advisor? And if it’s to be a trusted advisor, is that person: An Attorney or a Financial Professional such as a CPA, a Stock Broker, a Financial Planner or an Insurance Specialist?

As a sidebar let me provide a couple definitions: **Advice** (noun) or **advise** (verb) may refer to: an opinion or recommendation offered as a guide to action, conduct. **Expert**: a person who has special skill or knowledge in some particular field; specialist; authority

As another sidebar, a properly qualified and experienced Insurance Specialist will be able to offer more retirement solutions for you than any other type of Financial Professional.

Already Have an Advisor?

Do you already have a trusted advisor? If so, are you sure he or she is qualified to address all the critical issues of retirement? The financial advisor who helps you get to your golden years may not be the right advisor to get you through the golden years.

As an example: Let's say you get a call from your financial advisor who is confident that markets are ready to rally and he or she suggests that you pursue a more aggressive position in growth funds. Your first reaction might be: Sure, that sounds prudent. But, in fact, it might not be. Your advisor may be giving the same blanket advice to all his or her other clients; the ones still young and years away from retirement as well as those who are already retired and tapping their savings.

Even if you have a good relationship with your financial planner perhaps now is the time to ask: Is that person who has helped me prepare for later in life really the best person to get me through that period once it arrives? For the past 30 years, the majority of financial planners have been doing primarily one thing: helping millions of Americans build a nest egg.

The problem is that the distribution phase of retirement – the time when you withdraw funds from savings – makes the accumulation period of your life look like child's play. When you're working, your paycheck allows you to ride out periodic declines in your investments. But once you retire, you can't afford a portfolio or an adviser that asks you to sit patiently through market downturns.

Your current advisor may be a total-return manager, which best describes the bulk of financial planners today. Someone who puts your money in the market, diversifies into risk-based investments and then waits. That might work if you have a long time horizon and don't need the money. By contrast, a retirement-income manager is focused on several chores at once: producing income, reducing taxes and growing your portfolio; all for 20 to 30 years of retirement, regardless of market conditions.

I make these points to you because selecting the wrong advisor, or having no advisor at all, can mean the difference between financial security and financial ruin! If a Financial Professional is not on the ball, or poorly qualified or has more to gain than you do, then LOOK OUT!

And by the way, it's perfectly OK to have more than one trusted advisor assisting you in retirement. But to find the great ones, you need to know what to ask before you choose the advisor. So in this chapter I'm going to provide you with 12 areas of concern and some revealing questions you should ask before allowing a Financial Professional into your life. So Here We Go:

Concern #1: Is the Advisor is trustworthy, honest and ethical?

As a measure of transparency, ask the Financial Professional about their business ethics and how you can verify that they are trustworthy and honest. Research this very important issue before you invest.

Given that you are probably familiar with your local better business bureau, let me introduce you to an even more effective organization for evaluating the background of your financial professional as it relates to business ethics. The organization I'm referring to is the National Ethics Association (the NEA).

The only advisors who qualify for membership in the NEA are those who, each year, must pass the Ethics Check System™, which is NEA's rigorous eight-point background check looking back seven years for criminal, civil, and business violations. NEA membership means that a financial professional is properly licensed, up to date with continuing education requirements, and free of criminal, civil, or business violations against public interest. AND has an exemplary background of professional ethics.

So check to see if the Financial Professional you're considering is a long-standing member of the NEA because this will verify that person as having a superb record of business ethics. The last thing you need is to place your money with a "Bernie Madoff" type of scam artist. Check with the NEA, the Better Business Bureau, the State Insurance Department and FINRA (if they are securities licensed) to get background on any advisor you're considering.

SPECIAL REPORT TIMEOUT

In case you belong to a group, club, church, association or any type of organization that invites outside speakers to give interesting talks – please know that as a community service, I would be delighted to speak at your next group meeting. And I would speak on a topic that would be both informative and relevant to Retirement. Just call my office and let me know how I might be of service.

Concern #2: What are the Advisor's Areas of Expertise and Background?

Ask about the Financial Professional's mission statement and financial background. Exactly what are their areas of expertise in retirement planning? Here are some areas of expertise that would be useful:

- Helping you prepare a reliable and well thought-out budget for retirement
- Placing accumulated assets in safe guaranteed strategies
- Planning for the most effective way to utilize Social Security
- Developing solutions for a lifetime of guaranteed income for both you and your spouse
- Offering tax advantaged solutions for assets and income
- Health Care (Medicare) planning and protecting against the high costs of Long-Term Care
- Assisting you and your beneficiaries with qualified plan rollovers and distributions
- Setting up multigenerational stretching of assets
- Helping you build a legacy for your loved ones and
- Estate planning

Does the advisor's typical client profile match what you are all about? And, what's the advisor's track record of success? As a rule of thumb, if you have significant wealth, consider only a Professional that has been providing financial services for at least five years. Or select a time period you feel represents a seasoned professional. Select a Financial Professional that makes you feel confident of their ability to offer sound, successful recommendations that will achieve your goals.

If you already have an advisor, in what ways has that person had a positive impact on your retirement? Be honest. Crunch the numbers to measure their results through good times and bad. Would you truly recommend this advisor to another? What have they done to earn your respect and gratitude?

Concern #3: Will the Advisor provide References?

Ask the Financial Professional to provide the names and phone numbers for 3 to 5 references. These references should be from clients that have worked with the Financial Professional for two years or more. Ask for references that are similar to you in age and marital status. Also, ask for references that required solutions for their retirement that are similar to what you will require for your own retirement. These should be people who would gladly accept your phone call and answer any questions you may have.

Call all the references you receive, and ask them about their experiences with the Financial Professional. Many people ask for references, but never contact them. You can never learn too much about the person you're considering to help you with your retirement. Take a few minutes to talk to these references. It will be time well spent!

Concern #4: How will the Advisor be paid for their service?

When you need help with your finances, you want to find a pro who can balance your need for trustworthy advice with his/her need to make a living providing it. So you need to ask how the Financial Professional will be paid for their service. No one works for free! But there can be a number of acceptable replies to this question. No one answer is necessarily better or worse than another. Don't allow a fee-based financial planner to convince you that their way is the best way.

There are basically three choices for how a Financial Professional will be compensated for service:

Choice 1: Fee-Only for Service

A fee-only financial advisor is one who is compensated solely by the client. A fee-only advisor will most likely charge you for service regardless of how successful their advice turns out to be. And, their fees may recur annually and be based on a percentage of the assets they control under management. Keep in mind that if 100% of the fee-only advisor's income is from fees rather than commissions, then the advisor must charge enough in fees each year to earn an adequate living. And, don't bite on the premise that because an advisor is fee-based it means he or she is unbiased in their recommendations. I have experienced many fee-only advisors who are far from unbiased; especially when it comes to commission-based products such as annuities.

Choice 2: Commission Based

If the Financial Professional is not charging you fees, then they may be compensated through commissions. In this case, the commissions will be paid either by you, out of your pocket, or, in a much better arrangement, the commissions will be paid by the companies from which you purchase the financial products that have been recommended by the Financial Professional. With this arrangement, 100% of your money will be working for you rather than going into the pocket of the Financial Professional. And again, as for the claim made by some fee-only advisors that agents who accept commissions have a conflict of interest, I would say that a truly ethical professional will always recommend what is in the best interest of the client, regardless of commissions. Commissions do not create a conflict of interest. Bad judgment does. Just look at Bernie Madoff. In his case, there were no commissions involved; only fees.

Choice 3: Combination of Fee for Service and Commission

This can be the most costly form of compensation for you depending on the success of the advisor's recommendations relative to the size of fees and commissions that are being charged to you and that are coming out of your pocket. So get a full breakdown of what's going to the advisor, whether commission or a fee, as well as the underlying costs of the investment itself. It's important to note that some truly ethical advisors will rebate their fees back to you, dollar for dollar, from any commissions they may also receive in setting up retirement solutions for you.

Concern #5: Will the Advisor's recommendations be in your best interest?

No matter how the Financial Professional gets paid, ask them how you can be sure the advice they provide will be in your best interest. Make them tell you how they will analyze your situation, and what process they'll go through to arrive at solutions. Remember, advice from a Certified Financial Planner is not necessarily superior to the advice from other kinds of qualified Financial Professionals.

What you want to hear is that the Financial Professional will first find out how you feel about your finances and retirement. Then, they will get a detailed understanding of your income, assets, debts, company benefits, what insurance protection you have and what legal documents you have in place.

Finally, they will work up a detailed "action plan" that addresses all of your concerns, and gives you choices. Choices of the different ways your concerns can be handled, with the pros and cons of each choice.

This process allows you the ability to make decisions from an educated basis, instead of based on salesmanship. There is nothing wrong with financial products, as long as they fit your needs, and not the needs of the financial professional!

What happens to my plan when the sky falls?

You also should pin down the advisor about his or her strategies for when the next economic calamity hits; and it will. Get the advisor to articulate his or her strategy for sheltering your money in worst-case scenarios. The Great Recession tested many advisors. Some were embarrassed. Some were vindicated. And others changed their philosophies or left the business.

So try asking questions like these: What percentage of clients that the advisor had in 2007, are still with the advisor today. What does your portfolio look like if markets fall 50 percent? What guaranteed streams of revenue are built in? The answers are not something to learn after the fact. A nest egg can look quite good on paper but when you subject it to stress (withdrawals, market loss, different levels of inflation and taxes), that's when you see just how durable the advisor's recommendations really are.

Concern #6: Does the Advisor offer Products and Advice?

Ask if Financial Professional can provide financial products to you as well as financial advice. If the Financial Professional says "yes", this should not be taken as a negative response.

Ask if the Financial Professional personally owns any of the financial products that will be presented to you. This is a great indication that they stand behind what they recommend.

Ask if the professional has any special incentives or reasons to sell you the products being proposed. If the motivation is to get you what you need, then that's fine! However, if you sense from the answer that there's some hidden reason, then you need to be careful.

Ask if the Financial Professional sells proprietary products. If the answer is yes, this could be a clue to let you know that they are captive agents to just one company which automatically limits your choices.

What you want to hear is that the Financial Professional is "independent". That they have no obligation to recommend one product or one company over another; that they are truly interested only in your best interests.

Concern #7: Will an analysis precede the product recommendation?

If the financial professional sells products, ask if the products will be presented to you without first completing an analysis of your needs. Buying financial products without a plan is like having surgery without an exam. It should not be done. If you eliminate the planning process, you're left with nothing more than a salesman.

Now let me clarify that an "analysis" may take on many forms depending on the complexity of your retirement situation. The analysis can be as short as one page or a thick set of charts and graphs. And, one is not necessarily better than the other. It just depends on how detailed your needs are. Even if the written plan is short, the interview process needs to be thorough.

The best planning I've seen is not due to the actual written report, but instead reflects the depth of the interview. The Financial Professional must ask about all your issues. Not just the ones that can make them money.

For example, they should ask about your taxes, retirement goals, home financing, company benefits, health care and long term care needs, insurance (including home, car, and life) estate planning, and protecting your assets. A good professional knows how to get to know you, your goals, and your concerns. If you truly feel they understand your feelings and your finances, then you're dealing with a real professional!

SPECIAL REPORT TIMEOUT

I'd like to point out that in addition to hosting the Retirement Guy radio show, which I have done now for well over three years, I also conduct free (open to the public) educational events. I hold these workshops throughout the Denver area throughout the year. I have made these presentations to thousands of people both in and near retirement over the past several years. If you would like to meet me in person and learn about retirement, in a public setting, then please call or email me with a request for the date, time and location of my next event.

Concern #8: Where will your meetings with the Advisor be held?

Does the Financial Professional give you the choice of having your meetings either at their office or at your home...meaning the Financial Professional is willing to make House Calls. Consider the convenience of reviewing and discussing your retirement situation in the comfort of your own home where your records are kept rather than you dealing with the hassles of repeated long drives and parking at the glossy, pretentious office of the advisor. I think the offer to meet at your home can be very appealing.

Concern #9: Who is allowed to attend the meetings with the Advisor?

Ask the Financial Professional if you can bring other family members or other trusted advisors like your CPA or Attorney with you to the meetings. If you feel pressured not to bring others, or if somebody tries to sell you something at the first meeting, RUN, don't walk away. Good Advisors will always work at your pace.

Concern #10: How does the Advisor keep abreast of the changing retirement environment?

Ask how the Financial Professional is committed to continuing education and keeps up with the constantly changing financial environment. Where do they get research from? Do they attend workshops or go to classes? Do they subscribe to financial publications other than general media?

Let me assure you this is an important issue. There is no way anyone can be excellent at retirement planning unless they are excellent at obtaining up to date, accurate information!

Concern #11: How many existing clients and how many new clients does the Advisor have?

Ask the Financial Professional how many clients they have and how many new ones they take on. It's almost impossible for anyone to handle thousands of clients with a high level of personal service. Make sure you feel you'll be getting excellent service and advice, and won't be just another number in a schedule which is already too busy. And that you won't be shuffled off to one of their assistants when they're too busy for you.

It's true that every Financial Professional can handle a different client load. It depends on their personality, staff resources, and outside resources. Be sure to find out how they get things done and how fast they can personally respond to your needs.

Concern #12: What network of other professionals does the Advisor keep?

Ask which outside professionals they bring in on cases, and when do they bring them in? No one person can know everything about money. Therefore, a good Financial Professional will have one or more outside professionals they work with, such as attorneys, accountants, pension experts and mortgage brokers. A Financial Professional who says that they "handle everything" is fine. Just make sure that they bring in outside professionals when the need arises. (And believe me, it arises quite often).

Anyone who does not have relationships with these other professionals is not going to be able to get you the best answers in a timely fashion. Someone who works with these specialists, will always know when they are in over their head in an area, and get you the right help. This is the mark of an astute Financial Professional.

It's OK to have more than one trusted advisor

Many people have a team of advisors to help manage their finances, such as a financial advisor, tax consultant, attorney and insurance advisor. It's important that these professionals work together to integrate your entire financial picture - tax planning with financial planning, estate planning with retirement planning, etc. In addition to planning better, advisors should be enabled to share information to ensure they are not working at cross purposes.

To help coordinate your advisory team, share their contact information and encourage them to work together. You may wish to hold a meeting to introduce the entire team and explain what each one is responsible for. One way to assemble a collaborative team is to select from the same network.

In Conclusion:

So there you have 12 concerns and some revealing questions to ask a Financial Professional. I realize that these questions can be difficult to ask because you may feel you're going to insult the person. But do not hesitate! Ask these questions, even if it feels uncomfortable. We're talking about your money here. Being shy has no place in this process. If you feel too embarrassed to ask the questions yourself, have a trusted friend or relative ask for you. Whatever it takes, get these questions ASKED AND ANSWERED!!

These are questions I would expect you to ask before turning to me for advice on your retirement.

I wish you a long, happy and financially secure retirement

Sincerely;

Stephen Geist

Financial Strategist and Safe Retirement Plan Specialist