

# 7 Biggest *Mistakes* to Avoid

## WHEN HIRING A FINANCIAL ADVISOR

Do you want to retire with confidence? Lower taxes? Optimize your investments? If so, hiring the right professional is critical.

Unfortunately, **not all financial advisors are equal** – not by a long shot. And if you hire someone who doesn't have the right expertise, you could put your retirement plan in jeopardy.

## MISTAKE #1

# Hiring a financial advisor that *isn't* a specialist.

It's critical to ask a financial advisor what type of clients they specialize in working with. After all, **you wouldn't go to a personal injury attorney if you needed help with a divorce.**

Here are examples of people financial advisors might specialize in working with:



Specific professions such as **doctors, teachers, or business owners.**



**Employees of a major company, like Microsoft or Amazon.**



**Certain age groups, like millennials or baby boomers.**

Financial advisors will also specialize in solving very particular problems. For example, at Define Financial, we specialize in helping people over age 50 reduce their lifetime tax bill, make “work optional”, and maximize income in retirement.

Just like a doctor, if we don't have the right expertise to help someone, we will refer them to the right specialist.

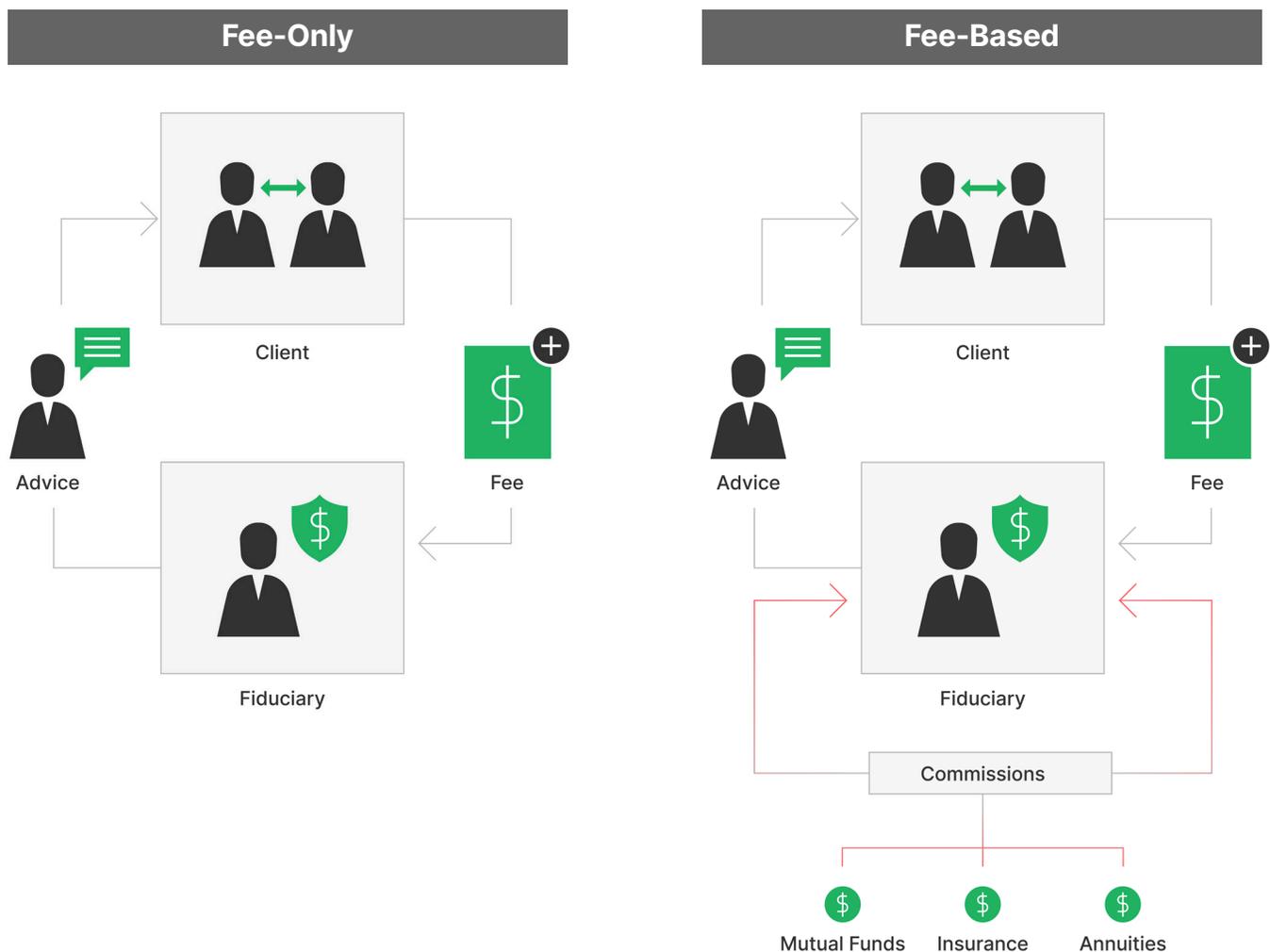
It's important that your financial advisor has the right expertise to help with your specific situation. It's also comforting to know they have successfully helped other clients with similar needs and challenges.

## MISTAKE #2

# Confusing the terms “fee-only” and “fee-based.”

The financial planning industry didn't do consumers any favors when choosing names and designations to describe the different types of financial advisors.

But if there's one key difference you should know and understand, this is it: **Fee-Only** and **Fee-Based** are NOT the same thing.



Fee-based financial advisors wear **two hats**.

Sometimes, they put on their “fiduciary hat” and charge a transparent fee to deliver financial planning services.

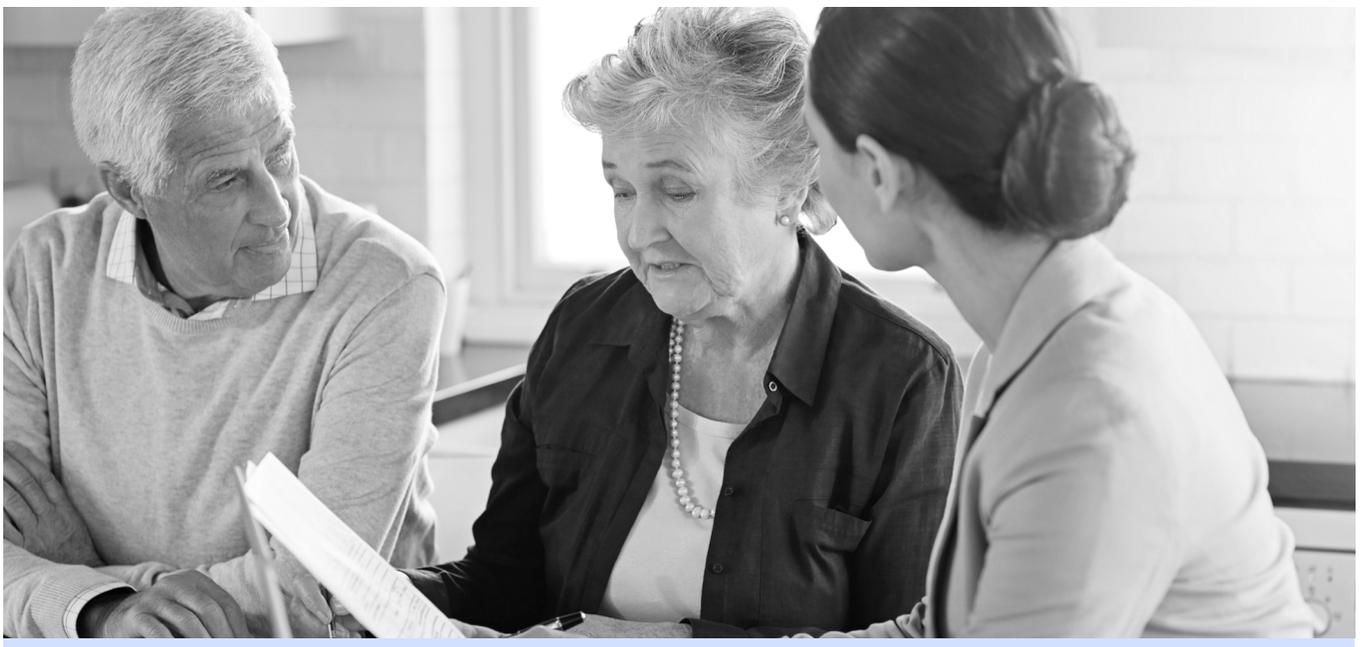
Other times, they take the fiduciary hat off and sell you a product (e.g., annuity, insurance, hedge fund) in return for a commission.

This commission-for-sales arrangement creates a massive conflict of interest, and you may likely never know which hat they’re wearing at any given time.

Fee-only financial advisors are **only** allowed to charge a transparent fee for their services. They do not sell financial products in return for a commission. Their fee could be a percentage of the investments being managed, a flat annual fee, or an hourly rate.

Either way, you will always know exactly what you are paying, and you will never have to worry about whether they are suggesting a financial product just to make a quick buck.

While it’s impossible to eliminate ALL conflicts of interest, working with a fee-only financial advisor mitigates conflicts and creates a transparent relationship.



## MISTAKE #3

# Hiring a financial advisor that is not a fiduciary 100% of the time.

To make matters more complex, fee-only financial advisors are also known as fiduciaries.

*Fi-ducia-what?!*

This confusing word simply means that they are required by law to put your interests ahead of their own. In other words, **a fiduciary financial advisor is required to put your interests first.**

Unfortunately, most financial advisors do NOT act as a fiduciary 100% of the time.

Sometimes they wear the fiduciary hat, and sometimes they don't. But if you ask them if they are a fiduciary, they will almost always say "yes."

The thing is, their affirmative answer may only be partly true. And that's because "hybrid advisors" have the ability to take their fiduciary hat on and off.

When they choose to take off the fiduciary hat, they operate under what is commonly referred to as the "suitability standard."

In short, under the "suitability standard," advisors just need to prove that a financial product is suitable for the client's investment profile.

For example, if it's a risky investment, the client must have a documented high tolerance for risk and long time horizon.

If it's an insurance product, it needs to align with their age and need for protection. (i.e., Selling a long-term care insurance policy to a 30-year-old would NOT be suitable.)

While this seems reasonable, the suitability standard doesn't require the advisor to take VERY important things into consideration. Things like:

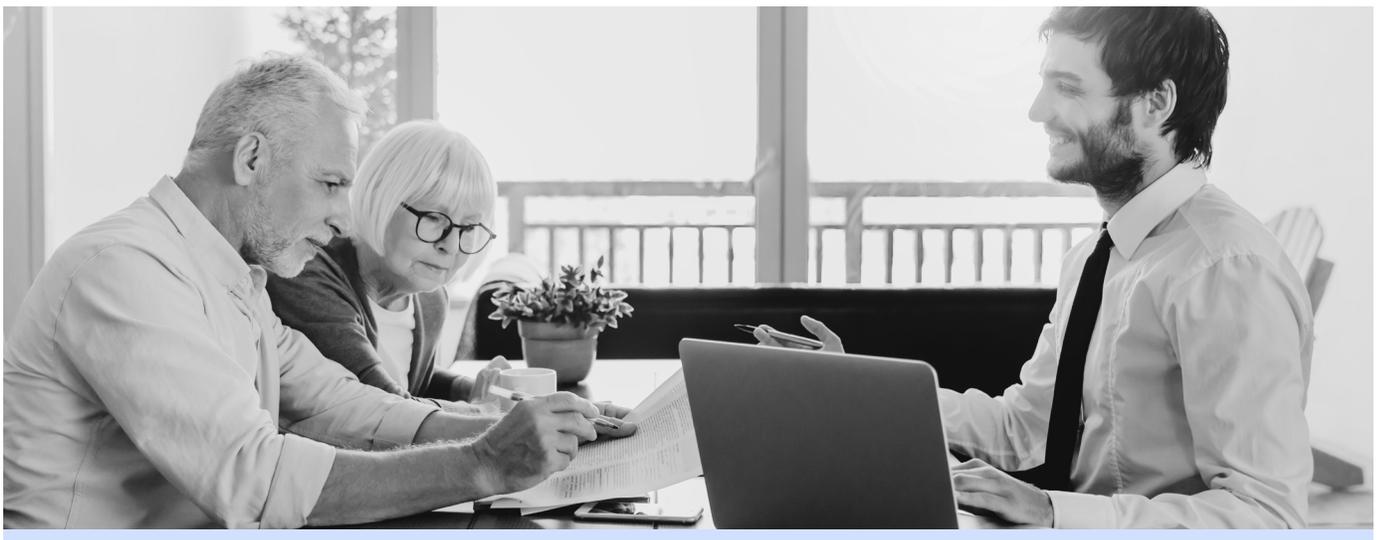
- **Fees**
- **Quality** of the investment or financial product
- **Expected return** of the recommendation

If there is a better solution at a better price at another financial institution, the advisor operating under the "Suitability Standard" does not need to share that information with the client. 🤔

An investment product can be expensive and/or lower quality compared to what else is out there, but it can still meet the obligations set under the "Suitability Standard."

Just about every big bank and brokerage firm you know by name operates under the "Suitability Standard." Sometimes they act as a fiduciary, but not 100% of the time.

By working with a financial advisor who **adheres to the fiduciary standard 100% of the time**, you get someone who is legally required to put your interests ahead of their own. You also get someone who is required impartially analyze the entire landscape and recommend the best solutions at the best price.



## MISTAKE #4

# Assuming *all* financial advisors have a college degree.

There are over 300,000 financial advisors in the U.S. – and not all of them have a college degree.

Despite what you may think, becoming a financial advisor is rather easy. All you need is a bank or brokerage firm to hire (or sponsor) you so you can take a basic securities exam (e.g., Series 7, Series 65, Series 66).

You do not need a college degree to take a securities exam and render financial advice.

To help narrow down the field and ensure your financial advisor has a college degree, search for advisors that have earned the CERTIFIED FINANCIAL PLANNER (CFP®) designation.

**Only 33% of financial advisors hold the CFP® designation**, and for good reason. In addition to experience and ethics requirements, The CFP Board requires advisors to pass a rigorous exam and keep up with ongoing Continuing Education (CE). They also require a college degree.

With more education and higher standards, CFP® Professionals are taught to take a holistic approach to wealth management. In addition to helping you with your investments, CFP® Professionals are equipped to help with retirement planning, insurance planning, tax planning, charitable giving strategies, and more.

## MISTAKE #5

# Choosing a financial firm based on *name recognition*.

More often than not, the size of a financial firm is directly proportional to their fees. In other words, larger firms (with big advertising budgets) tend to charge higher fees.

*Why?*

Big, publicly traded financial firms exist to enrich their shareholders, and usually do so at the expense of their clients.

Unfortunately, **higher fees don't guarantee a better outcome for the investor**. Usually, the opposite is true. This is because the more you pay in fees, the less money have working for you in your retirement plan.

Also, remember that most big brokerage firms do not operate as a fiduciary 100% of the time. Instead, they use the fiduciary standard only when it suits them. So, you might be paying higher fees and getting questionable advice to boot!

Independent fee-only financial planning firms do not exist to sell their parent company's proprietary mutual funds, insurance products, or anything else. Working with an independent, fee-only financial planning firm means that the advice you receive comes from a professional who is dedicated to helping you reach your goals. (And legally required to put your interests first!)



### Big Fee-Based Brokerage Firms

may *prioritize sales* over offering sound advice



### Independent Fee-Only Firms

are required to put *your interests* first

## MISTAKE #6

# Hiring a financial advisor who claims they can “beat the market.”

Beware of the financial advisor who tells you he or she can “beat the market.” It’s just about impossible for anyone to consistently outperform the broad stock market indexes. In fact, **80+% of actively managed investment strategies fail to beat broad market indexes after fees.**

Keep in mind, it’s far too easy for financial advisors to create a “back test” to show you what their portfolio could have done in the past. They can cherry-pick the best mutual funds and say, “Hey, look what we would have done for you if you hired us ten years ago!”

Unfortunately, **past performance doesn’t guarantee future results.** Even worse, research has shown that the investments that outperformed in the past are the investments that are most likely to underperform in the future.

The bottom line: You should be very skeptical of any financial advisor who promises market-beating returns. Instead of trying to outperform the market, look for an advisor who is **focused on helping you with things that are within your control:** Fees, asset allocation, taxes, risk management, Social Security timing, Medicare optimization, estate planning, etc.

## MISTAKE #7

# Not considering Define Financial!

We are retirement and tax planning experts and do our best work with:



### Aged 50+

Retirement investors age 50+ who are retired or close to it.



### \$2 Million+

Diligent savers with investments over \$2 million, excluding real estate.



### Expert Guidance

People who value expert help, because retirement is too important.

You should consider our firm if you want to...

- Create a **reliable income stream** in retirement
- **Lower your tax bill**
- **Reduce risk** in your portfolio and **increase long-term returns**
- Spend more of your time **pursuing a fulfilling retirement**

To help you make an informed decision about working with our firm, we offer a **Free Retirement Strategy Session**. During this meeting, we'll learn what matters most to you, answer your big questions, and ensure we have the right expertise to help. We'll also share more about our process and how we can improve your retirement plan, optimize investments, and lower taxes. [Learn More and Schedule.](#)

## The Total Retirement System<sup>TM</sup>

### *Retirement Is More Than Just a Math Problem.*

Learn how our **4-step process** can help you successfully navigate this decades-long transition—without overpaying the IRS!



# We look forward to hearing from you!



## Not Quite Ready To Schedule a Call?

Check out the [Stay Wealthy Retirement Show](#) (*Forbes Top 10!*). Every week, Taylor Schulte shares actionable tips to help you lower taxes, invest smart, and “stay wealthy” in retirement.



Scan the code with your phone camera. 

Or visit: [www.youstaywealthy.com/listen](http://www.youstaywealthy.com/listen)

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Diversification does not protect against loss in a declining market.