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**THINGS YOUR
FINANCIAL ADVISER
MAY HIDE FROM YOU**



HI FINANCIAL
PRIORITIZE. PLAN. PERSEVERE.



Women choose to work with a financial adviser for many reasons. This person could have knocked on their door, invited them to a dinner seminar, or connected with them through a referral from a friend. They seemed to know what they talked about, and a relationship began. However, some critical elements of the relationship may have never been revealed.

The financial services world delivers advice in many ways. If you work with an adviser (or are considering working with one), does the adviser secretly have any of these thoughts?

- 1) "I'm not completely open with how much you pay me because you would be shocked."
- 2) "If I confuse you with a lot of jargon and try to impress you, I hope you will simply go along with whatever I recommend."
- 3) "Many more opportunities to improve your situation exist, but I do not get paid for discussing those."
- 4) "I do not specialize in working with divorced or widowed women, but how different could your situation be?"

Let's explore each of these and see how it can affect the advice you receive.



1) I'm not completely open with how much you pay me because you would be shocked.

Many people are led to believe they get "free" or "low-cost" advice from their financial adviser. In other instances, the fee is stated in terms that do not sound very high, like "only 1% of your investments". How do these models actually work?

Hidden Commissions

Commissioned-based advisers may provide advice for what appears to be little or no cost. Only if you buy products from them will they get paid. How could this work to your disadvantage?

- **Potential conflicts.** Different products and companies often pay differing levels of sales commissions. Minimum quotas and sales contests on certain products or "production" can create conflicting incentives.
- **Excessive fees.** When bought on commission, many mutual funds pay 3%-5% of the investment in commissions when you buy them. The ongoing expenses are often 0.50%-1% every year (moving \$500k this way could cost you up to \$25,000!). Brokerages and mutual fund companies rewards the salesperson up front for making the sale with little financial incentive for on-going support.
- **Legal complications.** Did you know that a broker and an investment adviser are two different roles under the law? A broker has a legal duty to the broker-dealer they work for, not the client. By law an investment adviser must put the client's interests ahead of his own. To learn more, simply Google "*financial fiduciary standard*".



Asset Fee Conflicts

Advisory fees, often referred to as an Asset Under Management fee, usually get disclosed as a small percentage. The argument for it is that if the value of your account goes up, then the adviser benefits. If the value drops, then the adviser shares the pain. What could the problem be here?

- **They may impact decisions.** Several important decisions affect the size of your nest egg. Should you pay off your home? Should you exchange assets for more guaranteed income? The choices you make could change your account balance and reduce this adviser's pay!
- **They may ignore complexity.** Let's compare two clients. Client A has a straightforward financial situation. Client B deals with inheritances, complicated family dynamics, and estate issues. Why charge them the same amount for advice just because they have the same account balance?
- **They may penalize wealthier clients.** Why should a client with \$5 million pay so much more than a client with \$1 million? More money does create some extra complexities, but rarely enough to justify such a price difference. Does your doctor charge you based on the value of your home?

Do not confuse cost with value. It makes sense to aim for receiving tremendous value at a reasonable, clear fee. In that case, shouldn't the adviser clearly tell you how much he is paid?

2) If I confuse you with a lot of jargon and try to impress you, I hope you will simply go along with whatever I recommend.



Many financial advisers offer you a thick, leather-bound financial plan filled with pie charts, spreadsheets, and confusing jargon. It might seem that the sheer weight of the plan should impress you and convince you that the contents are of significant value! In my experience, complex and confusing is not the way to educate and inform.

Have you ever gone to the doctor and felt confused by what she is saying? She may use lots of important-sounding medical words that you've never heard before. Rather than asking questions to understand what she recommends, you nod your head in agreement to not feel stupid. Some advisers like to use the same approach.

Working with an adviser should give you clear answers to questions like:

- What if I want to sell my house and get a new one?
- What is the first thing I need to deal with now?
- Am I going to be OK in retirement?

My long-time mechanic does not review my car's diagnostic reports and statistics with me, because he knows I will not understand a word he says. Instead, he tells me in plain English what my options are and the benefits of each so I can make an educated decision. Shouldn't your adviser do the same?



3) Many more opportunities to improve your situation exist, but I don't get paid for discussing those.

Some relationships with a financial adviser start and end with investment portfolio recommendations. For many women, this does not adequately address their entire financial situation.

What about questions and concerns that have nothing to do with the purchasing of a product or with the balance in your account?

- How do you best make use of the benefits your employer provides?
- Is the value of your home something that can be useful to addressing your future spending needs?
- What are the pros and cons to delaying the start of Social Security benefits? Can you receive a benefit based on your former spouse's earnings?

Today's financial world is very different from how it was even 10 years ago. Pensions and guarantees are less common, and more of the important decisions rest on your shoulders. You should get advice on how all of your assets, insurance, and legal documents fit together and make sure they do not create conflicting outcomes.

4) I don't specialize in working with divorced or widowed women, but how different could your situation be?



Do you continue to go to your childhood doctor (maybe you do, I won't judge)? Do many teachers teach both 1st graders and 11th graders? Why not? Because people's needs change and the knowledge needed to help them succeed is different.

You could say the same principle applies to financial advice. General strategies may not help you, or worse, could work against you.

- **You may want more time to make decisions.** Right now, you probably do not feel like making decisions every day. With many advisers who only get paid when your "money is in motion", you might get pressure to decide faster. When the adviser is only paid to guide you, decisions can be postponed when they are not urgent.
- **You may have different objectives and ideas of success.** Financial success to you may not be bragging about "beating the market" or the next "can't miss, get-rich-quick" scheme. For you, confidence may come from knowing where you can live, how to handle your savings, and how to put yourself in a place where you will feel financially OK.
- **You may want someone by your side for the long haul.** Once your money is invested or the insurance product is purchased, many advisers have less financial incentive to help with other questions and concerns. You may want to still have help a phone call, email, or text away. You would like guidance on keeping your plan running smoothly, and have new opportunities and risks pointed out to you before you reach them.

Your Financial Future

Ultimately, your actions and decisions will determine your financial future. You have many choices when it comes to choosing a financial adviser. At times, many of them may seem to offer the same things. My goal with III Financial is to help you navigate your life after a divorce or loss of your spouse with a unique approach that includes:

- **Objectivity.** Part of my job is shielding you from making emotional decisions based on fear or greed. At times, the best action may be taking no action at all. I will help you get past these temporary but destructive feelings. I have no financial incentive to do otherwise.
- **Genuine Concern and Respect.** True financial coaching extends beyond picking investments and monitoring your net worth. I care about my clients and always strive to deliver service I would want family or friends to receive. My role does not include judging your past decisions. Your questions are valid and will be answered without condescension.
- **A Fixed Quarterly Fee.** This includes ALL financial planning and investment advisory needs. Compared to other fee structures, my flat fee can often save you 50% or more of your total investment costs.

What now?

Review the III Financial website: www.iiifinancial.com. You will learn more about what I can do for you, why it's so important to me to help women like you, and then you can decide if you'd like to talk.

I look forward to the chance to help you!

