

5 Good Reasons to Hire a Financial Advisor and 2 Bad Ones

MARCH 7, 2012 BY [AVERAGE JOE](#) 15 COMMENTS

The decision to hire an advisor to help with your financial planning isn't a step I recommend lightly. I've been lucky: over 16 years of practice I was hired mostly for good reasons, although some others were....*not so much*.

Most people don't *need* a financial advisor.

I'd tell individuals before they hired me that 90 percent of what I did, they could do themselves. My job was to guide them through sometimes stormy financial waters. As a bonus, I'd save them time and money by already knowing tricks they could probably find online. My staff would fill out annoying paperwork, and we had access to the best professionals in related fields. If you needed good advice, I either could provide it or knew how to find it fast.

In fact, at some points I was more of a concierge than a financial advisor....while most of my contacts were finance-related, I knew good babysitters and how to get a table at the top restaurants in town!

Here are five good reasons to hire a financial advisor:

1) You don't have time.

I worked with many successful people who could have easily completed their plans alone. Most of my clients were engineers or executives working for Microsoft and Chrysler. These were intelligent people (often financially savvy, too).

They recognized that they needed a good plan drafted that they could examine and sign off on. They also needed someone to facilitate the legwork. It had to be someone knowledgeable who had their back. They needed to be able to review everything on a plane or between meetings.

2) You aren't going to look at the stuff yourself.

Some of my clients were smart people, but in completely different areas. I had a client who was a very well-known artist. He needed to be forced to have consistent meetings about his meetings. Without me, he wouldn't ever review how he was doing.

3) You don't want a full financial education.

This type of client would sometimes frustrate me, but I had a large number of them as clients. Different from my artist and executive clients who were generally well educated, financially savvy people, these clients would just rather pay me to do it.

These clients were very happy to meet with me and talk financial planning. They'd listen and nod. I was pretty sure that they were getting the basics about what we were talking about. I tried to keep it entertaining, because I knew they hated being in my office.

Some were looking for the concierge treatment. For those people, we had client dinners, good coffee in the lobby and occasionally went to sporting events or concerts. They didn't care about how the money was managed, as long as it was done with as little input on their end as possible.

These clients sometimes scared me, because if things went wrong, they had no idea why and didn't want to learn from anyone but me. If this sounds like you, it's better to hire a good advisor than wreck your financial ship because nobody's at the helm.

4) You want a smart coach in your corner...

...to steer your plan in the right direction.

Some of my clients I knew were only going to be with me for a short time. My job was to educate them how to do it themselves. Some advisors won't do this. I was happy to help. I liked talking strategy anyway, so if I had a willing client who was coachable, I'd take them through the process. As a bonus, I handled most of the annoying parts (like filling out Roth IRA forms) because they were paying me a fee. It wasn't why they wanted me as an advisor, but it was definitely icing on the cake.

5) You want an ally to point out flaws in your strategy.

This was probably my least profitable type of relationship, but the one I appreciated the most. I had a few Do It Yourself investors who already had a complete strategy and just wanted to hire me for a couple of hours a year so they could tell me their strategy. I always had questions, then feedback, and nearly always, adjustments I'd recommend.

One client, Paul, said he specifically hired me because our philosophies clashed and he wanted to make sure his strategy looked good from the other point of view. He thought about his plan so often that he usually had a winning approach, even though I definitely would have rarely completed the plan the way he did.

There are a couple of important reasons NOT to hire an advisor:

1) You want someone to do it for you.

There's a subtle difference between this person and the one in #3 above. The person in #3 was happy to meet with me every few months and talk about money. They wanted some small amount of "here's

why we're doing this."

Then there's the person who just wanted "take this cash and make it work."

I care about my former clients. I never can care about your money more than you do. I'm the money babysitter, you're the parent. Act the part.

2) You want to day trade with a partner.

I had two clients who could never get through their skull that I was very happy that they day traded...but leave me out of it.

Initially we'd separate the portfolio into two sections: the "long term investment" portion, that I'd help steer, and then the "play money" portion that they'd day trade. I'd make clear that they were on their own with the play money account.

Invariably, these two clients would call in a panic and tell me that Jim Cramer had just said something on television and they needed to sell...but what did I think first? Should they sell? Should they go contrarian and buy more? Could I look up some charts for them? Maybe call a couple fund managers and ask their opinion off the record?

No thank you.

The math on my practice worked this way: 150 families, all of whom paid for and should demand my attention.

If I met with each client on average 3 times per year for an hour and a half, that meant 675 hours of meetings. Additionally, I'd call each client twice a year minimum and talk for 20 minutes (assuming there weren't urgent financial events afoot or you hadn't called me first). That was another 50 hours.

We won't even approach all of the emails I sent or returned daily. Remember that I mentioned Microsoft employees? Those people love email.

After 10 hours of preparation time a week and 10 hours of strategy/internal and analysis time (not to mention any marketing we were doing), that left 30 hours for client meetings. After holidays, I worked about 48 weeks a year.

Where was I going to find time to day trade your account?

That's my story. Now it's your turn: have you interviewed advisors? How did the meeting go? What did you like/didn't like about their approach?