

The Three Misconceptions about Working with an Advisor

Misconception #1: "My advisor has the answer and it always works."

If there were a magic solution that works 100% of the time, I would love to know it. By knowing this magic solution, I can reduce my workload tremendously and assure that all my clients reach their goals 100% of the time.

Run for the hills when you come across someone that states they have the answer or have it all figured out. If that person has the answer, demand to see how that strategy worked 100% of the time in all circumstances. Financial services' marketing is notorious for this type of message. There is no Holy Grail!

Use the "too good to be true" test. It usually works.

Misconception #2: "My advisor is managing my money."

There are two main components to the investment process. First, you invest the money. Second, you manage the investments for changes in the stock market and economy and mainly for risk.

Unfortunately, most advisors stop at the first step. In my [book](#) you will find that this is actually where you start. The traditional commission-based financial services industry is not a business that encourages investment advisors to manage money. Truth be told, the industry doesn't want advisors trying anything but following a buy and hold strategy.

Think about it for a second – commission sales is always about closing deals. Money management takes time. If an advisor was managing money, when would they have time to close deals? After all, advisors need to make a living and sales managers have quotas.

The problem is that there is a lot of assuming that occurs. The client assumes that the money is being managed and looked after. Unfortunately in most cases, that is not the case.

I can attest to the fact that the traditional investment business, where buy and hold investing is followed, does not have the systems present that would even enable an advisor to effectively manage money. This was one of the primary reasons I went independent and away from the industry.

Misconception #3: "My advisor is qualified to handle my needs."

There is a big difference between a good sales person and competent financial advisor. Anyone can be trained to say the right things and appear competent. In fact, I have argued that some of the biggest money managers on Wall Street probably don't truly understand how markets work.

It takes a lot of time and dedication to be effective. Unfortunately, the salespeople greatly outweigh those who are qualified to be advisors.

Degrees and certifications also don't mean that someone is qualified. It really depends on the area of expertise. I have had many clients come to me with big financial messes that were created by very educated and certified individuals.

Take your time when choosing an advisor. Make sure they are qualified by checking references and performance and track records. If an advisor sounds like they are reading script when answering questions, head for the door. A person who is qualified to be a salesperson and is setting sales records might not be the one you want making recommendations for one of the more important areas of your life.