Village Cooperative today

VILLAGE COOPERATIVE

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Village Cooperative of Longmont

AUGUST FEATURE

MONEY MATTERS

NINE SIGNS YOU SHOULD FIRE YOUR FINANCIAL ADVISOR

It's easy to have the same financial advisor watch over your nest egg year after year, but you may be better off moving on. Here's what to look for...

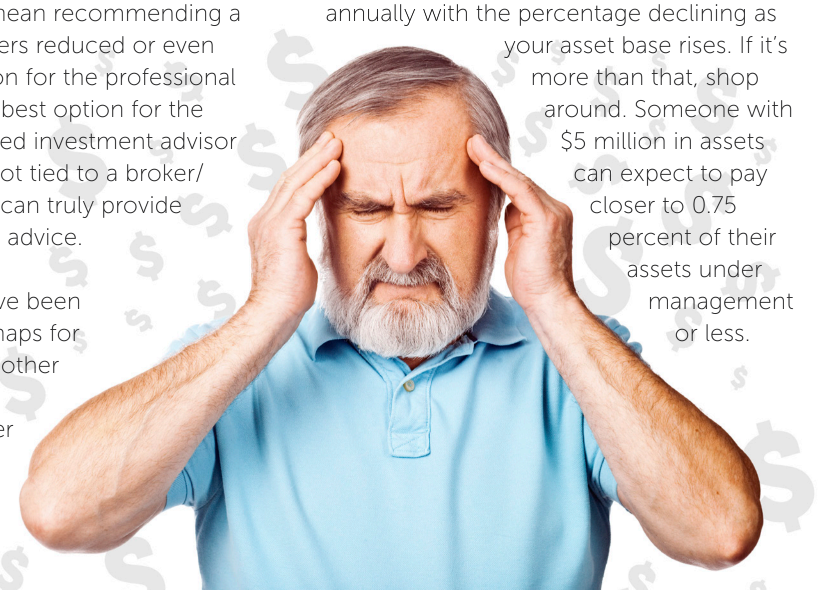
Is your financial advisor a fiduciary? Chances are, you don't know. Nearly half of Americans believe that all advisors have a legal duty to act in their clients' best interest according to a survey by digital wealth manager Personal Capital, but that's not true.

"Not all advisors are required to put you first," says Jay Shah, chief executive officer of San Francisco-based Personal Capital. "Only financial advisors who are fiduciaries are required to act in the best interests of their clients."

Fiduciary is a higher standard of accountability than the suitability standard that governs many financial salespersons such as brokers, planners and insurance agents. These professionals usually select products for their clients from a limited range of investments approved by their broker/dealer. The suitability standard they adhere to only requires that an investment recommendation meets a client's needs and objectives, and is deemed appropriate. However, the products they choose may be influenced by special promotions or incentives offered to the advisor by their broker/dealer.

Financial professionals following a fiduciary standard are legally obligated to put their client's best interest ahead of their own. This can mean recommending a product that offers reduced or even no compensation for the professional because it's the best option for the client. A registered investment advisor (RIA) is usually not tied to a broker/dealer and thus can truly provide clients unbiased advice.

But what if you've been wondering, perhaps for some time, if another financial advisor could do a better job? Financial advisors should help you save, invest and grow your money. They can also assist with retirement planning, whether you're still working or enjoying retirement.



Here are some signs it's time to hand your retirement egg to another caretaker:

They act like a salesperson and not an advisor. Have you asked for an invoice of the fees you're being charged? You need to understand how she's being compensated. Financial planners typically earn their living by charging hourly, by taking a percentage of your portfolio or by making commissions on the products they sell.

Avoid someone who works on commission sales. She has the greatest incentive to point you to products that don't fit what you need and are more expensive than similar investments. Other advisors may charge an hourly rate, which is often the best option for someone with a small portfolio. You might pay an annual services fee, often 1 to 1.25 percent of assets, annually with the percentage declining as your asset base rises. If it's more than that, shop around. Someone with $5 million in assets can expect to pay closer to 0.75 percent of their assets under management or less.

Uncover all sources of income by asking for a copy of Form ADV, which every financial advisor who recommends investments is required to fill out to register their license with the Securities and Exchange Commission (SEC) or the state where they do business. It contains the advisor's fee schedule plus any other compensation, such as a kickback for a client referral.

He confuses you with financial terms you don't understand. Your financial advisor should take time to explain your options and his recommendations in layman's terms. You should have at least a broad understanding of the investment strategy and how close you are to meeting your goals. That said, it's a good idea to familiarize yourself with terms that are bandied about in the financial industry. There are many internet sources for knowledge, such as investopedia.com, which has a helpful Financial Dictionary under References.

She pushes high investment fees and insurance products. Ask if there's a lower-fee alternative that gets the same result, such as an exchange traded fund instead of a mutual fund. A passively managed option almost always has a lower expense ratio than a product that's actively managed. Take a long look at life insurance policies and annuities. You shouldn't feel pressured to make a quick decision. It's never a bad idea to go home and do some research before you commit, especially with a product that entails a surrender fee.

His firm isn't registered. "Financial advisor" is a generic term for brokers and registered representatives, while an "investment adviser" is an individual or company registered with the SEC or the state securities regulator. Check if your investment adviser is legit at the Financial Industry Regulatory Authority BrokerCheck at *https://brokercheck.finra.org*. You can also check the SEC's Investment Adviser Public Disclosure database at *https://adviserinfo.sec.gov/IAPD/Default.aspx*

She doesn't match your investments with your financial goals. If you dream about a vacation cottage by the beach but also need to pay for a chronic health condition, your investment strategy should account for both. Your advisor should have a clear understanding of what your goals are, and ask about any changes over time.

You have a hard time getting in touch with him. Consider it a warning sign if your calls and emails aren't answered promptly. You are paying your advisor to be available and responsive.

Good advisors work to develop a personal relationship and proactively reach out to clients on a regular basis. That's true no matter what size your portfolio is, and especially if there's a market downturn or other event that might cause you concern.

She doesn't have a custom plan for you. Your financial advisor should create a portfolio uniquely tailored to your risk tolerance and needs. Customized financial planning is becoming common and many advisory firms don't charge to create a personalized plan. Ask how your portfolio differs from that of other clients. She should be able to provide a clear, decisive answer justifying each of your investments. One-size-fits-all plans likely indicate that she's selling products on commission and trying to meet a quota.

He offers exclusive investments. If your advisor claims to have a lock on certain investments that only he (or his firm) can get, find someone else. If it's really that exclusive, you don't want to be stuck with an unredeemable asset. However, most investments can be found at a multitude of brokerage houses.

You have a new advisor every few months. If staff turnover is a problem, it's a clear sign you should seek another place to do business. Not only is it a sign there are big problems in the workplace, but you deserve to talk to a familiar individual who understands your objectives.

WHAT CREDENTIALS SHOULD YOUR FINANCIAL ADVISOR HOLD?

AND WHAT THE HECK DO ALL THOSE LETTERS MEAN?

You may be bewildered by the initials following your advisor's name, or wondering about their absence. The answers you need depend on what your advisor does for you.

If you want your advisor to write up a personalized financial plan, hire one with the **Certified Financial Planner (CFP)** designation. If you're looking for life insurance, you might want to find a **Chartered Life Underwriter (CLU)**. Some other respected designations that are becoming more common are the **Chartered Retirement Planning Counselor (CRPC)** who specializes in retirement planning, and the **Financial Paraplanner Qualified Professional (FPQP)**.

The gold standard for someone who recommends or manages investments for you is a **Chartered Financial Analyst (CFA)**. This is the top-level designation in the financial industry that centers on investments. CFAs have to pass three levels of exams related to accounting, economics, ethics, money management and security analysis that measure their competence and integrity.

The highly technical skills held by CFAs are often used to structure investment products, perform analysis, or work with extremely high net worth and/or institutional clients. Therefore, it's quite likely you don't need someone with this much training (and the typically higher price that comes with it) to handle your portfolio.

COMMUNITY CALENDAR

events & happenings

Member Cards & Game Day
Wednesday, August 8th
10AM - NOON
Pam's Office
2100 Main Street, Suite #200,
Longmont, CO 80501

Members Monthly Meeting
Wednesday, August 22nd
9AM-10:30AM
St Stephen's Episcopal Church
1303 S Bross Lane,
Longmont, CO 80501

Member Social Mixer
Thursday, August 23rd
3PM - 5PM
Pam's Office
2100 Main Street, Suite #200,
Longmont, CO 80501
Bring a Friend!

Monthly Informational Meeting - Guests & General Public
Wednesday, August 22nd
1PM - 2:30PM
Pam's Office
2100 Main Street, Suite #200,
Longmont, CO 80501

Member Referral Program

Choose your neighbors and get an extra bonus for yourself!

Do you know anyone who might be interested in a new and improved lifestyle at a Village Cooperative? If so, just have them register with Pam. You'll get a **$500 credit** on your next monthly after they pay their share. Do them and yourself a favor—mention the Village Cooperative to your friends!

AUGUST BIRTHDAYS

Linda P. 8/02
Roger K 8/07
Kathy P 8/16
Russ O 8/16
Dale P. 8/19
Joe M 8/29
Gary M 8/29

AUGUST ANNIVERSARIES

Jill & Bob V 8/13

quote of the month

"You must gain control over your money, or the lack of it will forever control you.
~ Dave Ramsey

VILLAGE COOPERATIVE OF LONGMONT

Pam Ogden
SALES MANAGER

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Find us on Facebook

Village Cooperative is a community of active adults, so stay active with us—online! We'll keep you informed about upcoming events as well as share photos from past ones!

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EQUAL HOUSING OPPORTUNITY