



The Ultimate Price of Bad Advice

“No enemy is worse than bad advice.”

- Sophocles

General John Sedgwick was the highest ranking Union officer killed in the US Civil War. He was shot by a sniper while advising his troops on artillery placements. His last words were, "Why are you dodging like this? They couldn't hit an elephant at this distance."

We have all received bad advice at some point in our lives, and as illustrated above, that is often dangerous. In a military context it can alter the battle and cost you your life. In the world of investing, bad advice can alter your lifestyle and cost you your life's savings. Hiring a financial advisor is therefore one of the most important financial decisions you will ever make. Hiring the wrong advisor could be financially devastating. To ensure that you are making an informed decision, you should ask the following questions before enlisting with any advisor:

Are you a fiduciary? If you want professional wealth management, select an independent, fee-only registered investment advisor (RIA). Advisory firms are often owned by or affiliated with companies that sell, create or otherwise broker investment products, and these advisors are therefore not

independent. In addition, you should consider the question of fiduciary duty. A fiduciary is someone who is legally obligated to act solely in the interest of another party. It seems obvious that you would want your financial advisor to be held to a fiduciary standard, but the fact is that most brokers and insurance agents are not fiduciaries. A fee-only registered investment advisor, on the other hand, is a fiduciary and is obligated to act in the best interest of the client at all times. If you want to maximize the odds of receiving objective and unbiased financial advice, you should insist on working with a fee-only RIA.

What are your qualifications? In order to become a licensed barber in Florida you must attend 1,200 hours of schooling and pass the State's board exam. In order to provide financial advice in Florida the minimum requirement is successful completion of the Series 65 examination, which typically requires 18 hours of classroom instruction and no practical investment experience. Apparently, the State of Florida views bad haircuts as a greater threat to its citizens than the loss of their life's savings, so it is imperative that you

(continued on back)

educate yourself regarding your advisor's qualifications. You should ask how long and in what capacity the advisor has been working in the industry. The advisor should provide details of her educational background (an MBA or finance degree is a plus) and any industry certifications such as Certified Financial Planner Practitioner (CFP®), Certified Investment Management Analyst (CIMA), or the Chartered Financial Analyst (CFA) designation. While experience and certifications are no guarantee of competence, they can help you identify the true professionals.

What are your fees and how do you get paid?

Usually when you buy a product or service, you know exactly what the price is. This is not the case in the investment world. For example, some investment providers can be compensated not only by direct fees to the client, but also by sales commissions, mark-ups on stocks and bonds and fee sharing arrangements with investment product providers. Some of these fees are often buried in fine print or not disclosed at all. In order to determine what your true total costs are, you should request full disclosure in writing of all compensation that your advisor receives and any conflicts of interest he may have. Ask the appropriate questions to determine if there are any hidden fees.

What services do you provide? Some advisors provide a full suite of wealth management services that includes ongoing investment management, retirement planning, tax optimization and estate planning. Others may not include ongoing service but will simply sell you a product rather than establish a relationship. Before signing any agreement with an advisor, you should clearly understand the level and duration of services to be provided and make sure they are consistent with your needs and expectations.

Who is your typical client? The best advisors tend to focus on a specific area of expertise. Some focus on clients of a particular occupation such as physicians or professional athletes. Others specialize in a specific period of the client's life such as divorce or pending retirement. You should choose an advisor who demonstrates an understanding of your unique goals and problems, and who has extensive experience in working with other individuals like you.

Choosing an advisor can be very difficult and making the wrong decision could cost you dearly. Well-laid plans are often jettisoned when the market environment gets difficult, and if you do not have a trusted advisor the outcome could be devastating. Asking these simple questions can help you sift through the opportunists and find the true leaders in the profession, and that can make all the difference on the financial battlefield.



Heritage Investment Group provides wealth management and investment guidance to high-net-worth individuals, families, charitable foundations and qualified plans. We provide seasoned financial guidance, with respect and integrity, backed by a disciplined investment process. Since 1993 we've built our firm on a strong foundation of family and friendships with guiding principles of ethics and integrity.

The original version of this article was written by Heritage for the May 2015 edition of The Light, a local magazine serving Broward County, Florida.

H | I | G HERITAGE INVESTMENT GROUP

2480 N.E. 23rd Street, Pompano Beach, Florida 33062
Phone: 954.785.5400 Fax: 954.933.0966

115 South Fielding Avenue, Tampa, Florida 33606
Phone: 813.258.1759 Fax: 813.254.3756

www.heritageinvestment.com