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YOUR MONEY

For Financial Advice, Arriving at the Right Dosage

By [TARA SIEGEL BERNARD](#)

Most everyone needs financial advice. The big question is how much.

There are tens of thousands of advisers out there, with varying levels of expertise, who charge varying fees for their services. And professional advice doesn't guarantee good returns. You need look no further for evidence than the market collapse of 2008-9, when most people lost money, even those with the supposedly ideal mix of [investments](#), hand-picked by their [financial planners](#).

Still, [financial advice](#) can cover much more than choosing investments. Many of us could use as much help in managing our debts as in increasing our savings.

So how much advice do we need? At what point should we pay for it? And how much is it worth?

Wealthy families rely on a cadre of capable professionals who cater to them, and paying for advice is as natural as paying the landscaper. For everyone else, figuring out what's needed depends, at least in part, on your stage in life, your goals and what you expect to receive in return. Are you, in other words, a new college graduate with \$50,000 in debt, \$30,000 in income and a brand-new [401\(k\)](#), or a 60-year-old trying to prepare for [retirement](#)? Or someone in between?

You may need only some straight-ahead advice on how to invest your retirement money, or you may really want someone to make sure you stick to your plans — the equivalent of a fiscal trainer.

“Are you paying for investment advice?” asked Carl Richards, a [financial planner](#) and proprietor of a Web site called [Behavior Gap](#). “Are you paying for life coaching? What is the nature of the financial advice?”

Once you figure out what you are looking for, it's easier to determine how much help you need and where to look. Of course, there's always the possibility that you may not need professional help — maybe you're good with numbers, a disciplined saver and enjoy managing your own money. This column is not for you.

YOU WANT INVESTMENT ADVICE The reason most people seek out a professional is for help saving and investing for retirement. You should always start by reviewing what your employer has to offer, whether through a 401(k), a 403(b) or similar retirement plan. “When you're saving for retirement, it's fairly homogeneous,” said Martin Riehl, principal of asset management services at Vanguard. “You need to save a lot, you need to be diversified and you need to save on costs.”

Big retirement plan providers like Fidelity and Vanguard (along with several online brokers) offer online calculators and tools that will help you figure out how much you need to save and the types of investments you need, and may offer specific investment suggestions. “There are a lot of great ones,” said Sheryl Garrett,

founder of the Garrett Planning Network, based in Mission, Kan. “But they are tools, and they can be sharp objects,” she said, adding that the results are only as good as the information you put in.

If you’re looking for [low-maintenance options](#), you can consider target-date funds, whose investment mix becomes increasingly conservative as you near retirement. This eliminates the need to rebalance your portfolio, or invest in any other funds. Just be sure the percentage of [stocks](#) in your target-date fund corresponds with your risk tolerance.

But if you’d like recommendations tailored more closely to your situation, more 401(k) plans are adding managed-account options, where you pay a fee to have your account professionally managed. Vanguard, for instance, uses Financial Engines, a well-regarded service, to build and manage investment portfolios (it can take outside assets into account, too). Taken together, Vanguard’s funds (which cost 0.2 percent of assets, on average), coupled with its managed-account service (about 0.4 percent of assets), carry less than half the cost of the average [mutual fund](#). Both Vanguard and Fidelity offer similar services to clients investing outside a 401(k). But most of your contact with advisers will be over the phone or online.

Financial advisers also pointed to online services like [MarketRiders.com](#), which offer an inexpensive way to build and manage a portfolio of [exchange-traded funds](#), which are like mutual funds but trade like stocks. There are also a number of financial advisers who focus on investment services only. Rick Ferri, of [Portfolio Solutions](#), for instance, charges 0.25 percent of assets to build and manage a portfolio of index-tracking investments, though there is a minimum charge of \$2,000 a year per household.

YOU WANT A FINANCIAL CHECKUP Even the most die-hard do-it-yourself investors could use a second opinion, and everyone could use a periodic checkup to be sure they’re on track. Major life events may call for a change in plans, but not necessarily a full-time financial steward.

“I think very few people need a full-time financial planner,” said Ms. Garrett, whose [network](#) includes a group of 300 certified financial planners who charge hourly or flat fees. “There are people who do, like the proverbial little old lady from Peoria whose deceased husband took care of all the finances, or maybe you’re a very busy individual who doesn’t want to be bothered.”

Ms. Garrett said she wasn’t opposed to the idea of paying a certified financial planner a percentage of your total assets, often 1 percentage point, for comprehensive financial planning. “I just think it’s being way oversold, and the price is pretty steep.”

How much time do you need? That will depend on your situation, though Ms. Garrett said that four hours may be “luxurious” for those with relatively straightforward planning needs. Hourly planners’ rates will vary on geography and expertise.

As with anything else, Ms. Garrett said not to go for the cheapest or the most expensive — and to keep in mind that experienced planners may charge more for their time but may work faster.

YOU WANT FULL-TIME HELP If you want someone to help you every step of the way, or you want to delegate money management to a professional, you might consider a fee-only [certified financial planner](#) (one of the most rigorous [professional designations](#)) whose philosophy meshes with yours. These professionals are unbiased in the investments they choose because you pay them a percentage of your

assets. Many financial experts say they believe that full-time planners are worth their fees, because of the money they may save you on the common mistakes investors are prone to make, said [William Bernstein](#), author of “The Investor’s Manifesto: Preparing for Prosperity, Armageddon and Everything in Between” (John Wiley & Sons, 2009).

By Mr. Bernstein’s estimation, the average investor probably lags the market by two or three percentage points because they buy and sell investments at precisely the wrong times. So many people may come out ahead even if they pay 1 percentage point to a skilled adviser. “What you get from an adviser is not the winning allocation,” he said. “Who knows what the most efficient allocation is anyway? What you are getting is the discipline. And an annual checkup provides precious little discipline.”

Hiring a full-time adviser is not unlike hiring a physical trainer — someone who can teach you the proper diet and routine, and push you a little further than you may be willing to go on your own. “You should save to the point of discomfort and maybe beyond, and that is not something people will do unprompted,” said Jim McCarthy, head of client advisory and retirement services at [Morgan Stanley](#) Smith Barney.

One reason some people are willing to pay a full-time planner is that they know they can call at any time without being on the clock. Mr. Richards, who runs the Behavior Gap site, said his clients had told him they called him first when they had a question or a calamity because they knew he wasn’t “starting a stop watch.”

“You don’t fix emotional problems with logic, you fix them with trust,” he said. “And that is really difficult to do, to build that over the phone if you aren’t having an ongoing relationship.”

He argued that most people needed an adviser of some sort. “Unless you wake up and see [Warren Buffett](#) in the mirror, it might be worth it to pay someone to stay the course.”

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