PUTTING THE PIECES BACK TOGETHER:

GET GOOD ADVICE AND PUT YOUR INVESTMENTS BACK ON TRACK

This has been a financial storm of epic proportions. The first step to rebuilding your own financial security is to breathe. You cannot control the markets or the economy. You can, however, control how you interact with them. With good advice, proper planning and a game plan, you can make sure your assets are working for you regardless of the economic environment.

Understand Where You're Getting Your Advice From

Professional advice – a phrase that conjures images of dedicated advisors working diligently, devoid of conflict and instilled with a sense of purpose, to help you navigate through the financial markets. Unfortunately, the search for this ideal has left many individuals jilted as they realize that financial professionals and the firms they represent are not a uniform group, but rather an ever changing sea of various business models and skill sets that may or may not represent what they need. This coupled with the fallout from Bernard Madoff and other financial scandals has left many investors disillusioned with the financial services industry.

Like anything else, the industry is varied with both good, bad and mediocre. The key is for investors to set some basic parameters and ensure that their own relationships have these safeguards. **At a minimum, I suggest asking these questions of your advisor and yourself:**

Do I Have a Fee-Only Advisor?
You always want to be on the same side of the table as your advisor. If they have an incentive to sell you a certain product or have an internal product list, how can you be certain that what you are getting is what you need instead of what they need to sell?

Is My Money Safe?
One of the easiest ways to help achieve this is to separate your advisor from your custodian. This way you can have a large independent firm, such as Charles Schwab, protecting your assets and an advisor making investment decisions and providing advice that a custodial firm may not have the capability to provide. **This structure would not have allowed a "Madoff Scandal" to happen.**

Is My Advisor a Professional... or a Salesperson in Disguise?

Work with professionals. Your advisor should have experience, credentials and a diligent, consistent approach. If this is lacking, it may be time to ask for more for your money. **Many custodial firms offer programs promising a level of service that they are just not equipped to deliver.** Actor spokespersons and fancy commercials are appealing; but, you need substance from professionals, not spin from a marketing department.

Revisit Your Asset Allocation

Once you have identified a source of advice, what should the advice be? Very few people invest, or should invest, to simply "make money." Instead, you need to seek sufficient assets to achieve a goal, such as financial freedom, buying a second home, traveling, or paying for the education of a child or grandchild. By avoiding an undisciplined grab for as much return as possible, you can help create a strategy that factors in return, but more importantly, risk. The first stop, therefore, is to create a holistic strategy that looks beyond the assets your advisor manages as well as those that they don't, and then build a strategy around "your" assets.

It is important to then take this information and apply it to your portfolio. Your assets should be allocated in a manner consistent with your needs. You can check this by having your advisor utilize planning software that takes your allocation and models it out over multiple scenarios. This will give you the probability of reaching your goals. Of course, one review is not enough. I recommend using your results as a base line and then reviewing it *at least* annually. This will give you the more important result of determining the trend – are you getting closer or further away from your goals?

Don't Forget Your 401(k)

Perhaps my least favorite phrase of 2008 was "I just haven't been able to look at my 401(k)." Yes, the economic crisis has sent shockwaves through many company plans; but, this meant a time for action, not a market-shock-induced coma. The problem for many is that their 401(k) plan exists in a vacuum and is not coordinated with their outside assets. This is one reason why we like to provide advice on both the assets we manage for clients and what they have in their company plans. Individuals should now look at their 401(k) and evaluate their holdings and the allocation.

The key is diversification. I often cringe at general stereotypes of placing high-growth assets in qualified plans and slow-growth assets in taxable accounts. Rather, you need real customization. For instance, international investments in a qualified account may not allow you to take advantage of a credit for Foreign Tax paid. Is it worth reworking your allocation? Maybe, but your advisor should be thinking about it.

Human resources professionals should evaluate who is advising their employees on their plan as well. All too often, companies settle for generic plans that entail an annual visit from a junior advisor. As a firm, we are committed to demonstrating the importance of utilizing an independent firm to advise and consult on your company benefit plans. The advantage of using an independent firm is the utilization of a multitude of funds, not "in-house" products. Furthermore, boutique firms can often provide a higher level of education planning, direct consultations to help employees link their 401(k) to their own assets and additional consultations in important areas like estate planning.

Conclusion

It is not easy out there. There is no quick fix and the economy will get worse before it gets better. Your portfolio is also not going away. You must engage it and yourself in the continual process of improving not only how your investments are structured but also how you interact with them. In an environment that has left many feeling helpless, coordinating all of your assets should provide some level of control, and more importantly, a sense of liberation.

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