



## Why Financial Advice is Like Religion & Politics And Why the Middle Way Leads to Wisdom

### Extremist views can sabotage your retirement

With the 2016 election freshly behind us and the war on Jihadist terrorists not far behind that, everyone can understand how extreme views can impact our world. Financial advice really isn't that different than religion and politics.

In the financial advice arena there are people with strong views on opposing sides all espousing their beliefs, as well as extremists who believe in the old adage "my way or the highway".

I was recently Googling for some retirement information and a banner ad caught my attention. It read, "I would die before I would ever sell an annuity." The advertiser, Fisher Investments, is a stock market bigot who obviously doesn't sell insurance. They make their money investing people's money in the stock market.

On the flipside, you have companies such as J.D. Mehlberg who are focused on selling "guaranteed income solutions" with annuities (an insurance product). Their marketing hype includes statements such as: the "#1 Mistake Retirees Make When Investing In the Stock Market."

***"All policies should be guided by science, not just whose voice is the loudest."***

*-Martin Heinrich*

Extremist views go against everything the DOL and its fiduciary rules are striving for...to put the best interests of the client first. When a company has a one-sided or extremist view, how can it best serve a client's interests? How is it in the best interests of a client to ignore an entire asset class...a possible missing piece to a person's retirement puzzle?

Perhaps the answer lies in the fact that prior to the boom of the baby boomer generation, the "financial" industry as a whole was siloed or segmented into your insurance agents, your stock brokers, your financial planners and your CPAs. You bought products and/or services from each of them and you relied upon a pension and social security for your retirement. Each of the people brought different biases to bear on the market.

Fast forward to current day and we find 10,000 people retiring every day. These people face an entirely new set of forces unseen at any other time in history or with any other generation. They face risks that our parents and especially grandparents didn't have to deal with like volatility risk, inflation and tax risk. They also face longevity risk which means some people may have retirements lasting up

to 25 years or more. Retirees also have the challenge of needing to save more and do more with their savings once in retirement and the challenge of disappearing pensions. All of this makes retirement planning really hard...and not just any stock broker or insurance "guy" can handle it effectively.

Some might argue that part of the answer is explained by ignorance or personal gain/greed. Some companies, insurance or investment advisors just don't want to or can't understand the complexities of strategies outside of their core competency. Retirement planning and the associated strategies to really juice someone's retirement are really complex and require a lot of know how. Perhaps all these individuals are completely innocent in their ulterior motives and they simply don't understand the relatively new and evolving needs of a completely new type of client...the pre-retiree and all the nuances that come with retirement planning. Is the financial services industry just coming up short when it comes to best interest advice as enforced by the DOL, FINRA and the SEC?

Another posture on this question is that financial professionals chose their corner of the market to focus on and that's what they've done to the extent of becoming extremist in their beliefs of their strategy and products. They've lived and survived (and in some cases made A LOT of money) and they have no reason to expand into other offerings. Other offerings involve a lot of know-how and time, effort and energy to acquire the knowledge to expand their businesses in other directions.

Still others with questionable tactics have found a very lucrative method for luring clients into their web driven by personal desire or greed. They are master marketers feeding on people's ignorance of financial know how. Selling the sizzle of high returns or guaranteed income. Nearly two-thirds of Americans can't pass a basic test of financial literacy. And many retirees have no idea beyond their pension or their 401K what they truly need in their retirement portfolio. This represents a huge opportunity for some savvy yet questionable companies to use fear, uncertainty and doubt tactics on those who don't know what they should be doing and don't have the time or inclination to learn what they should be doing.

### **There is a "Middle Way" ...enter the Retirement Educated Hybrid Advisor**

According to Google searches, the term "Middle Way" was used in the *Dhammacakkappavattana Sutta*, the first teaching that the Buddha delivered after his awakening. In this sutta, the Buddha describes the Middle Way as a path of moderation, between the extremes. This, according to him, was the path of wisdom. The Tathagata (the Perfect One) realized the Middle Path by avoiding extremes. He explained that the Middle Way gives vision, gives knowledge, and leads to calm, to insight, to enlightenment and to Nibbana. It is the Noble Eightfold path: right understanding, right thought, right speech, right action, right livelihood, right effort, right mindfulness and right concentration.

At Your Retirement Advisor we believe that extremes can be bad, especially for retirees. Like Buddha we believe that the Middle Way is the path of wisdom. Here's why...

A hybrid advisor, which is the fastest growing breed of financial advisors in the industry, is registered as both a Registered Investment Advisor (RIA) and a broker, and is also licensed to sell insurance products. Hybrid advisors are registered as brokers with FINRA and as investment advisors with the

SEC. Good "retirement educated" hybrid advisors don't operate in biased extremes. Given proper retirement planning training, they can provide sound guidance on "all" aspects of a client's financial position, including wealth management and inter-generational transfer. In other words, a hybrid advisor is best suited to provide unbiased advice that tends to fall in the "middle" between the extremes of investment advisors pushing traditional investment strategies and insurance representatives expounding the virtues of guaranteed insurance strategies.

As with all professions, there are many qualified hybrid "retirement advisors" who know what they're doing, but there are perhaps even more who call themselves retirement specialist, but don't truly understand the intricacies of retirement planning. Many are still interested in selling products versus utilizing a research based investment management process. It takes time to understand and assimilate the vast body of information and research coming out every day that can potentially give a pre-retiree or retiree the best possible retirement outcome.

**Most advisors, hybrid or not, are just drinking the Kool-Aid that the big investment companies or insurance companies are selling them...they don't analyze and simply offer the solution of the day.**

Hybrid advisors can also offer certain products such as specific types of annuities and long-term care insurance that can only be utilized for clients via a broker-based program. As well, there are much more robust product offerings through the broker channel versus the advisor channel. This affords the hybrid advisor the ability to truly act in the client's best interests and utilize the proper products, based upon research, analysis and the individualized need of each client. In addition independent hybrid advisors can access many different products and can offer the best combination of quality and low fees.

Pre-retirees' needs are different than at any other age, and are becoming increasingly complex. A hybrid advisor with proper retirement planning education and knowledge is better suited to offer a broad range of research backed advice-driven strategies and solutions to pre-retirees. They can integrate both insurance and investment based products (without bias) into a high quality, research backed retirement solution. Based on this he/she is likely to recommend a combination of traditional stocks and bonds, coupled with income guarantees for the best retirement outcome. As you see, this solution falls somewhere in the middle of the two extremes...resulting in a safe and balanced recipe for retirement success.

## Retirement Educated Hybrid Advisor Advantages

### Client's perspective:

-Hybrid advisors arguably provide more options. They can offer a fee-based financial planning relationship, but still have access to other commission-based investments. They also offer more flexibility and objectivity since they can truly offer a full array of products with virtually no limitations.

## RIAs vs. Stock Brokers

For most of the general public, the term fiduciary is misunderstood, with its exact implications on the consumer fuzzy at best. In essence, a fiduciary is someone whose duties are both ethical and legal. They are bound ethically to act in another person's best interests.

Registered investment advisors (as required by the SEC) have a fiduciary duty to always act in the best interests of their clients.

Professional fiduciaries are heavily regulated by the Securities & Exchange (SEC) and held to certain fiduciary standards in order to ensure that a client's finances are as secure and protected as possible. A professional fiduciary is required to adhere to policies that prevent a client's funds from being misappropriated or poorly managed. Fiduciaries or Registered Investment Advisors (RIAs) typically charge a fee to clients for their services and these fees are often based on a percentage of assets under management. Registered investment advisors (as required by the SEC) have a fiduciary duty to always act in the best interests of their clients.

## Advisor's perspective:

- Access to a truly holistic planning ability to offer best interest advice to all clients
- Ability to offer clients any fee arrangement that is best for them...commission based or fee based on amount of assets under management.
- Fee or commission-based services can be determined on a "case-by-case" basis. Hybrid advisors can choose the approach that's right for each client and act more closely in their best interests.

## From Your Retirement Advisor's perspective:

Our affiliated advisors are both Registered Investment Advisors (RIAs), Series 7 licensed investment brokers and licensed to sell insurance. As hybrid advisors (as explained in this article) they do act as a fiduciary for all of your transactions. A broker license provides access to a wider assortment of products that are not available in the RIA product offerings. In addition, there are times that a broker relationship actually offers lower cost and expenses than utilizing an RIAs' products.

Your Retirement Advisor affiliated advisors prioritize making sure that all client's portfolios are properly allocated utilizing the highest quality products at the lowest possible cost in order to get the best retirement outcome.

The potentially sad bottom line for many unaware pre-retirees is that your retirement plan is decidedly dependent on who you choose to listen to for advice...what camp you decide to join. We're proposing that you don't go to either extreme but seek out the advice of someone who adheres to the "Middle Way" and can truly look at all strategies, without bias, to build a retirement you can count on. Hopefully, you don't listen to those who shout the loudest and pour tons of shiny, jaded marketing hype into the world.

Beliefs and opinions is what make the world go 'round...this much I do understand. However, unlike religion and politics, the Middle Way in retirement planning is actually the safest and best for pre-retirees. And we don't just say this because it's our "belief." The Middle Way can be supported with research, data, analytics and

analysis with sophisticated software and modern financial theories. Unlike religion and politics, the right financial advice provides calculated truths that simply can't be argued.

Let us know if you'd like to try the Middle Way for your retirement advice. We'll get you in touch with an affiliated "hybrid" Your Retirement Advisor. In the meantime, check out the rest of our website for balanced and accurate information about retirement topics. Namaste.

**About Your Retirement Advisor.** Your Retirement Advisor is an independent and objective retirement education and planning company addressing the retirement literacy problem most Americans face today, particularly pre-retirees. We offer a cadre of online and offline resources, content and advice, as well as a proprietary KNOW MORE. HAVE MORE™ retirement readiness planning system. The system is based on a multi-step process, working on your own, with your own advisor or with one of our affiliated advisors to get educated, proactively strategize and implement an informed plan that leads to a better retirement outcome. We truly believe that knowledge is power and knowing more means having more.

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