



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

Extremist views can sabotage your retirement

We've all witnessed the extreme political views rampant in our world today, along with the continued worldwide unrest in the name of religion. In the financial advice arena we witness equally extreme views that obviously don't inflict any violence, but only offer one version of a solution which can be detrimental to someone's financial plan.

I was recently doing some retirement research online and a banner ad caught my attention. It read, "I would die before I would ever sell an annuity." The advertiser obviously doesn't sell insurance. They make their money investing people's money in other products.

On the flipside, you have insurance companies who only sell "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."

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^[1]². These people face an entirely new set of forces unseen at any other time in history or with any other generation including: longevity risks and the disappearance of pensions and the concerns over the future of Social Security.

Longevity risk³ 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 along with 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.

To address the question of why there's a lack of fair and balanced information, one might argue that it's driven by ignorance of the issues retiree's will face or perhaps it's based on personal gain/greed. Many insurance and investment advisors have made a conscious effort to remain in their core competency, and don't have the time or interest in learning the nuanced approaches to retirement planning. Retirement strategies to optimize someone's retirement income, for example, are really complex and require research, data and software to calculate all of the unique potential scenarios each retiree may face.

We also see self-proclaimed industry pundits not always telling a fair and balanced story about retirement planning, sometimes selling the sizzle of questionable high returns or no risk guaranteed income. These one size fits all approaches are pushed onto consumers by companies with really big marketing budgets...taking advantage of people's ignorance of financial know how and the herd mentality.

Nearly two-thirds of Americans can't pass a basic test of financial literacy.⁴ And many retirees have no idea beyond their pension or their 401K what they truly need in their retirement portfolio. This represents a ripe 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. For this reason, it's important for anyone working with an advisor to ask for the research-backed evidence to support what the advisor is suggesting, and to find out how the recommended strategy offers a personalized, best interest approach in support of his/her retirement goals.

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

¹ Kessler, Glenn. "Do 10,000 Baby Boomers Retire Every Day?" *The Washington Post*, WP Company, 24 July 2014, www.washingtonpost.com/news/fact-checker/wp/2014/07/24/do-10000-baby-boomers-retire-every-day/?utm_term

² Cohn, D'Vera, and Paul Taylor. "Baby Boomers Approach 65 – Glumly." *Pew Research Center's Social & Demographic Trends Project*, 20 Dec. 2010, www.pewsocialtrends.org/2010/12/20/baby-boomers-approach-65-glumly/

³ World Economic Forum, We'll Live to 100, How Can We Afford It? www3.weforum.org/docs/WEF_White_Paper_We_Will_Live_to_100.pdf

⁴ FINRA Foundation. National Capability Study, October, 2015 <http://www.usfinancialcapability.org/results.php?region=US>

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,⁵ which is the fastest growing breed of financial advisors in the industry, is registered as both a Investment Advisor Representative and a broker, and is also licensed to sell insurance products. 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 in a position to offer balanced advice that tends to fall in the "middle" between the extremes of investment advisors who focus on traditional investment strategies and insurance representatives expounding the virtues of guaranteed insurance strategies.

Many advisors, hybrid or not, aren't licensed to consider ALL the potential solutions. So they must default to a pure investment solution or a pure insurance solution. The better option, as research proves, is for retirees to have a combination solution.⁷

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 specialists, but don't truly understand the intricacies of retirement planning. Many are still focused on selling products for a commission 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 outcomes.⁶

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,

⁵ Hybrid advisors answer call for more investment options, Andrew Osterland. <https://www.cnbc.com/2015/06/10/hybrid-advisors-answer-call-for-more-investment-options.html>

⁶ Review: Wealth-building strategies financial advisers won't talk about, Bob French. <https://retirementresearcher.com/review-wealth-building-strategies-financial-advisers-wont-talk/>

⁷ Optimizing Retirement Income by Combining Actuarial Science and Investments, Wade Pfau.

<https://s3.amazonaws.com/static.contentres.com/media/documents/f2dfc453-49e2-4fb7-a19d-7ac27436b2de.pdf>

based upon research, analysis and the individualized need of each client. In addition, independent hybrid advisors can access many different products and can offer a highly efficient 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 for a balanced, 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.

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.

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 advisors are both Investment Adviser Representatives, Series 7 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 advisory products.

Your Retirement Advisor 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, objectively, 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.

Investment Adviser Representatives (IAR) 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.

IARs (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 designed to prevent a client's funds from being misappropriated or poorly managed. Fiduciaries or IARs typically charge a fee to clients for their services and these fees are often based on a percentage of assets under management. IARs (as required by the SEC) have a fiduciary duty to always act in the best interests of their clients.

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" retirement advisor. In the meantime, check out the rest of the Your Retirement Advisor website for balanced and accurate information about retirement topics. Namaste.

About Your Retirement Advisor

81% of baby boomers don't know how much money they'll need in retirement. Another 84% don't have a written retirement plan, yet they control 80% of the assets in this country (sources below).

Your Retirement Advisor's mission is to make preparing financially for retirement easier and more affordable, while guiding the transition into retirement with a "sustainable for life" financial plan. The company focuses on teaching people how to save right today and spend right tomorrow. Powered by technology, process and research, the unconventional approach integrates education, guidance, analysis and strategy for efficient and effective, one-stop retirement planning. For more information, visit: <http://www.yourretirementadvisor.com>



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