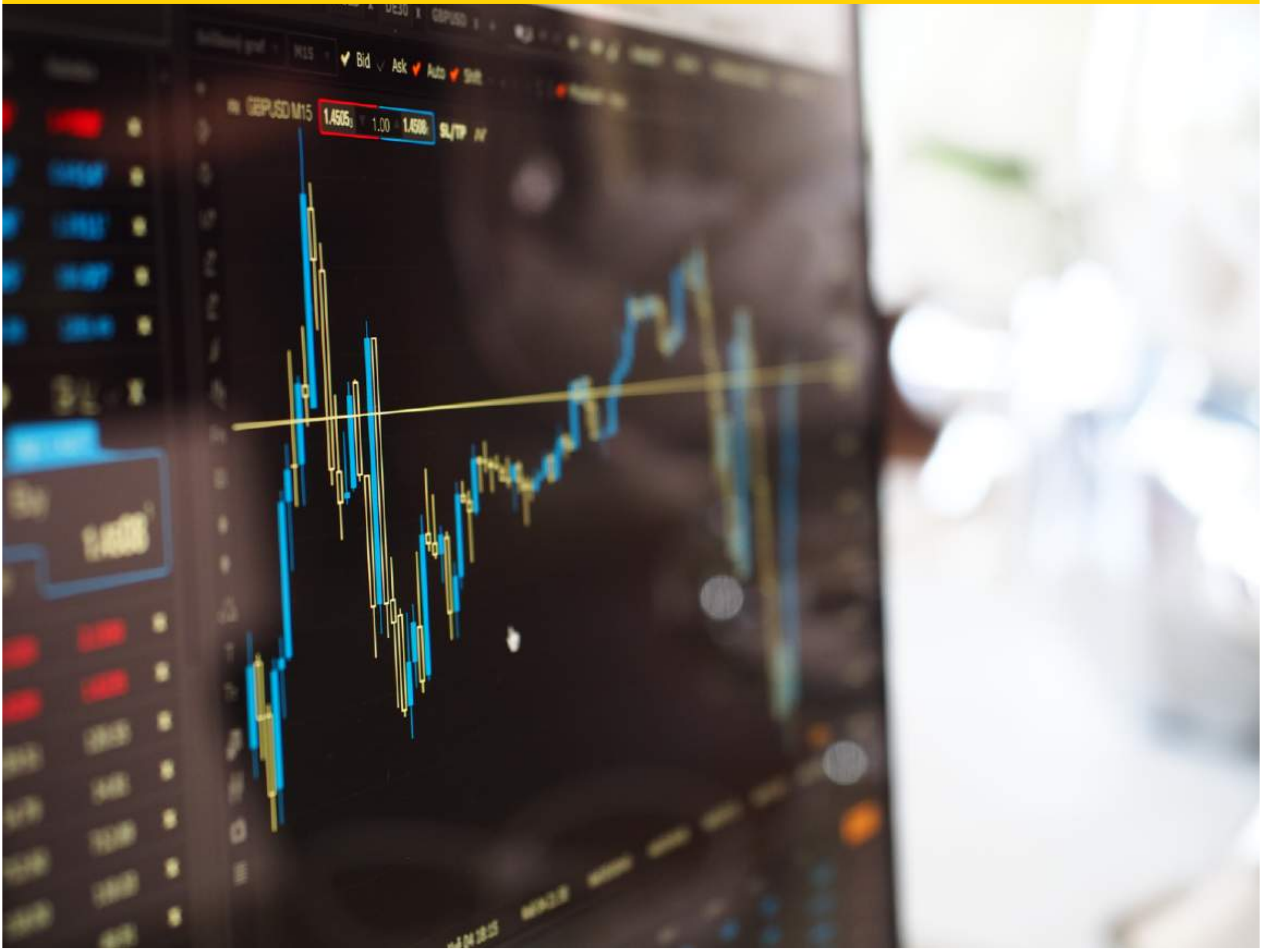

Wealthy and Wise

Creating and Sustaining Wealth
without the Rollercoaster Effect

MD WENDELL
WEALTH PARTNERS

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Contents

Introduction

Creating and sustaining wealth can often feel like a complicated choreography, filled with steps you haven't quite mastered to an often improvised tune. What's more, there is a lot of information in the marketplace about wealth that is misaligned with your best interests or is just plain wrong.

The purpose of this eBook is to demystify wealth creation, showing how it is an active process requiring discipline and persistence. When your values include security and fulfillment, rather than just the accumulation of money, wealth management should also address the many risks that can threaten stability.

Adopting a professionally designed, honest long-term investment strategy is a powerful measure. It's also wise to realize you don't have to bear the burden of planning alone. The first step is simple: Contact professionals well versed in financial and estate planning — qualified financial advisors and estate attorneys — and let them help you.

-Mark Wendell

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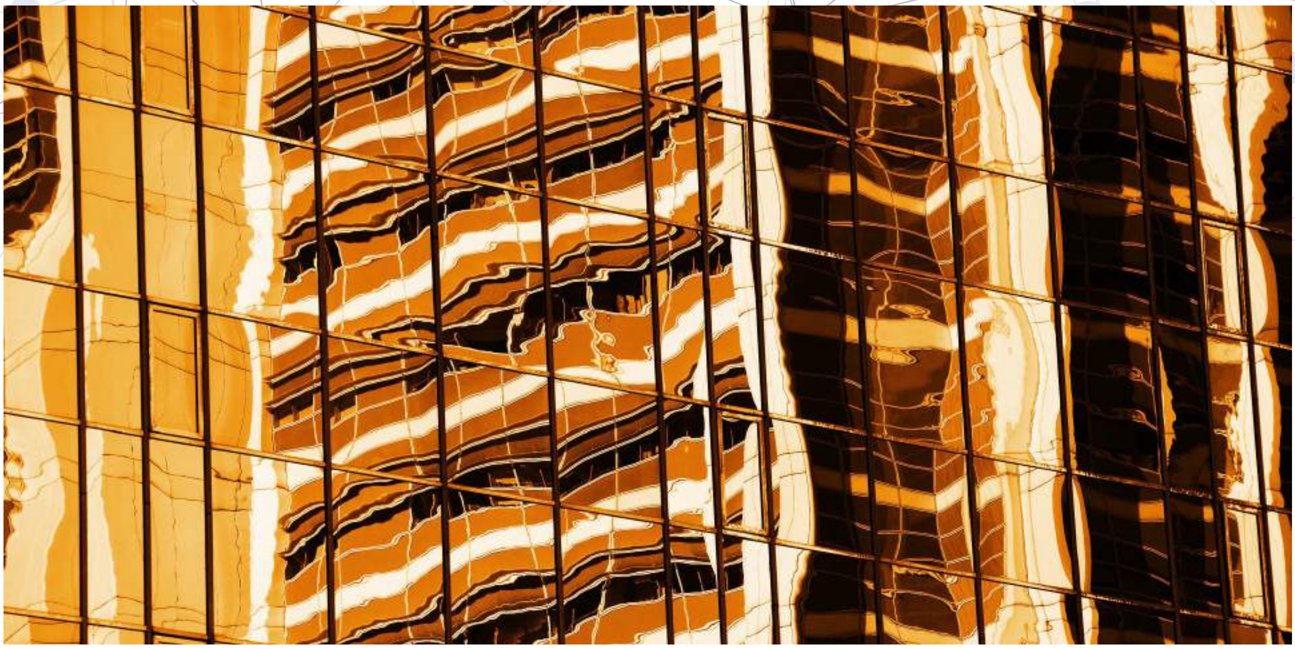
Your Wealth Enhancement Plan

The ambition of building true wealth might seem elusive for most people, even illusory considering that many people, who are sitting on six, seven or even eight figure retirement plans and home equity values, may still feel unprepared for a shift in lifestyle – that highly anticipated step called retirement. Envisioning that desirable future can be particularly difficult when people don't feel like they have control over their financial future. However, wealth creation doesn't have to be mysterious or ethereal, since it has always been an active process grounded in sound principles and practices that, when applied over time with discipline and patience, make it possible for people to feel empowered and driven to embrace the keys to building wealth.

Start by doing what's necessary, then what's possible, and suddenly you are doing the impossible. -St. Francis of Assisi

If you give a few thousand dollars or an inheritance to a person who has no clear purpose in life, limited ambition or curiosity to learn about money as a tool and how to use it to get to a pleasing future scenario, what do you suppose they will do with that money? Yes, they will spend it, without considering future consequences of frivolously spending it for that which is wanted now, rather than saving it for that which will be wanted most in the future - retirement security. Absent a clearly defined destination and a clearly identified personal definition of what true wealth means, people are more likely to take their cues from friends or the consumption-based media and fail to prioritize saving for a harmonious future.

The common result is that people take impulsive or irresponsible actions such as buying depreciable assets like cars, boats, airplanes, bikes, and toys; taking long expensive vacations; mindlessly opening personal 'do-it-yourself' investment accounts to feel a sense of control; and 'playing' the market to satisfy a get rich quick gambling instinct and the need to do something rather than nothing.



Identify and write specific personal goals for the next 1-5-10-20+ year timeframes that will clearly lead to the grand finale of retirement.

The Process of Building Wealth

Wealth building is simply a process that begins with a clear written vision of what the ultimate goal of a ‘good life’ looks and feels like when achieved. The next priority is identifying and writing specific personal goals for the next 1-5-10-20+ year timeframes that will clearly lead to the grand finale of retirement. With each goal, action items to achieve that goal must be delineated. Some goals are named to protect and insulate against life’s bumps and disruptions. There is a difference between addressing inevitable, unpredictable events and reacting to them incoherently. When math is applied to it, a plan may be developed and strategies created to work toward a personally predefined wealth goal.

By applying a wealth-building plan, people are more likely to stay true to their own personal vision and goals rather than become distracted with market volatility, economic troubles, personal issues, and the returns of market indexes. Employing experienced professionals to provide on-going guidance and counsel through life’s labyrinth journey, is a very effective method toward developing and implementing a personal wealth building plan. The guidance provided by professionals adds value by synergizing results of the steps necessary toward achieving the goal of a harmonious future that will ultimately culminate in a natural step to retirement and not a stressful worrisome leap.

Whether through chasing returns, naively taking risk, succumbing to market euphoria, fleeing with the herd during economic troubles, or simply procrastinating

…too many investors allow their self deluding, self destructive behavioral tendencies to guide their investment and planning decisions. And too many people have perfectionist or control tendencies and attempt to ‘do it yourself’ or ‘never do anything’ because no one or no plan will ever measure up to be an acceptable, viable choice. As the old saying goes, those who undervalue themselves will undervalue others. However, by working with experienced professional Investment Advisors, a clear personal definition of what wealth means can be elucidated. By developing a personal retirement plan, by developing an optimum investment portfolio design while minimizing risks and necessary fees, by applying discipline and patience to a long-term investment strategy based upon sound principles such as diversification, dollar cost averaging, compounding, risk management, and income and withdrawal strategies, there is a much greater likelihood of maintaining a wealth enhancement plan on an upward trajectory.

Retirement Plan Essential Elements

Until recently, many retirees have been able to rely upon the three-legged stool of retirement income sources: A defined benefit pension plan that guarantees a lifetime income, their own savings, and Social Security. More recently however, the first leg of the stool has all but disappeared as many defined benefit pension plans have been replaced with defined contribution plans such as a 401(k) plan. In addition, many beneficiaries of pension plans have preferred to manage their own retirement accounts outside of company pension plans, by moving their pension balances into IRA Rollover accounts when they retire. This has shifted the responsibility for creating a retirement income source to the individual. With expanding life spans and increasing retirement costs, serious retirement planning is required to ensure that your income will last a lifetime. Here are the four essential elements of a sound retirement plan:

Set Clearly-Defined and Realistic Goals

With an increasing life expectancy, it's no longer enough to state, "I want to retire at age XX" as a goal. In order to inspire a well-conceived plan and the will to faithfully execute it, you need a clear vision of your life in retirement.

Questions to Ask:

- Do you plan to actually retire, or work in some other field?
- How will you live in retirement and where will you live?
- What would you like to accomplish in this phase of your life?
- Have you defined a realistic monthly budget, income vs. expenses?
- Will your monthly income sources support your budget?
- Will your investment assets become depleted within your lifetime?
- Have you thoroughly investigated your Social Security and Medicare benefits?

One of the more popular rules of the past suggested that retirees will need just 70% to 80% of their pre-retirement income to maintain their standard of living.

-Now the realistic number is 100%.

Calculate Your Retirement Costs

One of the more popular rules of the past suggested that retirees will need just 70% to 80% of their pre-retirement income to maintain their standard of living. Now the realistic number is 100%. The major flaw in the old rule is that it didn't account for the true cost of aging. In calculating the cost of retirement, the equation has become more difficult due to the new reality of expanding life spans, which means you can plan on higher healthcare costs over time. The cost of your retirement must factor in realistic spending assumptions based on your goals, desired lifestyle, AND increasing health care costs as a percentage of your annual budget throughout your retirement lifetime.

Long-Term Investment Strategy

Accumulating enough capital to provide lifetime income sufficiency is a daunting task, made more difficult in an environment of low returns on savings and increased stock and bond market volatility. It requires a serious commitment to a long-term investment strategy with the confidence and discipline to follow it. It starts with a well defined investment objective, which can be stated as the long term return on investments that must be achieved to meet your cash flow needs.

The next step is to develop a risk profile that matches your tolerance for risk and volatility with a portfolio of investments that can reasonably be expected to achieve your objective. Developing and optimizing an asset allocation plan that diversifies investments and/or strategies is usually best left to professionals, since changing economic conditions requires constant vigilance and occasional adjustments.

Tax Planning

For decades we have been told that the best way to accumulate capital for retirement is through tax deferred savings vehicles, such as a 403(b), 401(k) plan or various IRA plans. Although it still makes sense for accumulating capital, it doesn’t take into account the tax consequences of income withdrawals and its impact on the total spendable income available in retirement. Retirement planning used to be almost entirely about capital accumulation; however, in view of the possibility of living 30-60 years in retirement with increasing healthcare costs, the emphasis shifts to managing your income during retirement. Professionals should be consulted prior to and during retirement to be certain that your tax situation is being optimized in your specific household situation.

Does Your Retirement Path Really Matter?

What are your portfolio performance expectations?

In the story of Alice in Wonderland, Alice arrives at a fork in the road and wonders aloud which road to take. A smiling Cheshire Cat appears and asks her what her destination is, to which she replies, “I don’t know.” The toothy cat then proffers the only possible response, “Well, then it doesn’t matter.”

While it’s not the type of exchange that might actually occur in our lives, it should, especially as we consider our financial future. For many people, who have yet to clearly define their financial destination, it probably doesn’t matter to them which path they choose, if they choose a path at all. That may be one way to explain why many Americans are not on track to meeting their retirement goals, or worse, why most couldn’t tell you where they stand today in relation to their goals.

When You Don’t Know Where You Are Headed

It would also explain why many investors focus on the latest mutual fund returns, or finding the next hot fund instead of their financial goals. It might also be the reason why investors follow the herd and flee the market after it crashes or buy into it only after it has recovered – investment traps too many investors fall into, even though it has been academically verified that such behavior invariably leads to losses or poor portfolio performance. They have no destination, so any path will get them there.

If your investment expectations reside in the current performance of the markets, it probably means you have yet to clearly define your long-term financial objectives, because, what happens today, tomorrow or next year in the markets will have little if any bearing on your long-term objectives.

The Only Performance Measurement that Matters

If, however, your investment or portfolio expectations are based purely on its ability to get you to your specific destination, it means you either have or are ready for a solid investment strategy. The only way to measure the outcomes of your investment decisions is to compare them to your specific objectives, not by comparing them to market indices or to some incompatible indices. And, only through a deliberate planning process will you be able to choose the path that will get you to your destination on time. So, as a matter of course, it would be advisable to proceed through a comprehensive process that includes:

- Thoroughly assessing your financial situation and goals
- Clearly defining your long-term investment objectives
- Developing an Asset Allocation Plan customized to your investment profile
- Fully implementing your selected investment strategy
- Monitoring and Rebalancing your Portfolio

Expect Excellence

From there, you can expect your portfolio performance to keep you on the path to the desired destination without assuming any more risk than is necessary. And, with the right kind of investment coaching, you will choose patience and discipline over hot stock tips and the top mutual fund de jour because you know what actually leads to long-term investment success. So, then it does really matter after all! You will never arrive at your destination unless you know where you are going and when you want to get there!

Obstacles to Financial Success

In many respects, people can be their own worst enemies in their quest for financial security. When you consider that our lives are nothing more than a culmination of the decisions we make each day, if we tend to make more bad decisions than good decisions, or worse, if we can't make decisions at all, it shouldn't be a surprise when financial security remains elusive.

When it comes to finances and investment decisions, many people are simply not wired to be able to make decisions dispassionately, without emotions clouding their reasoning; and that's when people tend to make the most behavioral mistakes with their financial decisions. Understanding these behavioral mistakes and how to avoid them is crucial to achieving financial security.

How Many of These Behavioral Mistakes Have You Made?

Impulse Purchases

We're all prone to an impulse purchase now and then, but for some people, it's more of pattern than a one-off indulgence; and when these purchases add to debt, the damage is compounded. Paying the debt on yesterday's pleasures with today's income is self-defeating.

Using bonuses or salary increases to add to lifestyle and not savings

When people lack a goal, or a vision or a purpose, they are more likely to want more lifestyle than savings. You will thank yourself later by putting a portion of your increased compensation away for retirement. Trying to pick the winners – When investing, do you spend your time looking for the top performing mutual funds in hopes of jumping on the train to riches? Very rarely does a top performing mutual fund repeat its winning performance. A long term strategic approach to investing usually eliminates the temptation of trying to outsmart the market.

How Many of These Behavioral Mistakes Have You Made?

Following the Herd

While investing, many people have a fear of being left behind, which is why the human tendency is to follow the herd in times of stock market exuberance or panic. Invariably, this leads to buying near the top of the market, or selling near the bottom, or getting out of the market entirely due to the stress of watching our portfolio value move around. Then too often, we add insult to injury by being too fearful to invest again. To diminish this temptation, having a professional involved with our investments to guide us through our highs and lows may help smooth out our emotional and impulsive nature.

Procrastinating

Procrastination, typically brought on by the inability to make a decision, is one of the primary causes of financial distress. This distress is a reason people procrastinate further and is usually due to their inability to perceive the importance of placing financial matters high on their daily priority to-do list with a resulting consequence of "never get'in nut'in done".

Trying to *avoid* risk

Many of the behavioral mistakes people make is a result of their lack of understanding of the role risk plays in investing. Without risk, there are no returns; and, without returns, achieving financial security is almost impossible. If you think you are avoiding risk by avoiding the stock market, you are actually inviting other, more corrosive forms of risk, such as inflation risk, longevity risk, and interest rate risk. While it is important to consider how you feel with a specified degree of risk, or account value fluctuation, it is equally important to think about the investment alternatives that would provide realistic returns that you desire. Likewise, the tradeoff between investment income and risk must be taken into account to be sure your monthly cash flow needs are addressed.

The Only Performance Measurement that Matters

Therefore, first and foremost, your investment objectives must be considered; and remember that a well diversified, occasionally rebalanced long term investment plan is of paramount importance. Careful consideration of your investment strategy that takes into account your calibrated risk-adjusted-return should be the overriding theme from the outset.

These common, costly behavioral mistakes typically result from a lack of planning, with no clear vision or purpose to guide decisions. Instead, decisions become reflexive responses to emotions that are allowed to dominate our thought process in the absence of the discipline, logic and reasoning that a well-conceived plan can engender. Taking care to avoid the self-defeating and insidious Big-I's is absolutely vital to your financial success: Impulsiveness, Indolence, Insolence, Indifference, Incompetence, and Improvidence.

Studies indicate that people who have well-defined goals, a clear purpose in life, an ear to professional guidance, and a thoughtfully prepared plan in place, are better able to check their emotions and muster the necessary discipline to follow their plan. In doing so, they are more likely to avoid many of the behavioral mistakes that can cost them their financial security.

"Studies indicate that people who have well-defined goals, a clear purpose in life, an ear to professional guidance, and a thoughtfully prepared plan in place, are better able to check their emotions and muster the necessary discipline to follow their plan."

> **Banks and insurance companies failed at their basic job of evaluating risk, deluding each other into a belief there was no such thing as failure, not for them.**

Risk in Perspective

As safe as houses is an old expression that has new irony for those of us who weathered the Great Recession, when the home mortgage market proved to be built on sand rather than rock, and many homeowners found themselves in foreclosure. As safe as a bank vault is another expression that doesn't mean the same today, looking back at the banking system's collapse. As Warren Buffett explains what happened, "To make money they didn't have and didn't need, they risked what they did have and did need."

Banks and insurance companies failed at their basic job of evaluating risk, deluding each other into a belief there was no such thing as failure, not for them. Instead of realizing how much was really at risk, they trusted triple-A ratings that proved to be illusions, and bank securities that were anything but.

We've been left wondering if there's such a thing as a no-risk investment. Apart from investing in the education of a child — where the upside is infinite and return can be enjoyed daily, long before maturity — it's hard to point to one.

There's value in the capacity to tolerate risk, a quantifiable figure in many situations. Investors expect to be compensated for taking-on a burden of risk. The greater the amount of risk an investor is willing to take, the greater the return expected. For example, a bond issued by corporation offers a return higher than the going rate of a U.S. Treasury bond simply because a corporation is much more likely to go bankrupt than a nation of 300 million people that has prospered for centuries. The same direct-proportion relationship applies to equity investments or stocks: Generally speaking, investing in a well established, dividend-paying enterprise has a lower risk of dramatic loss than does pushing chips into the ante of an unproven start-up's IPO, but also a fainter possibility of skyrocketing returns.

When You Don't Know Where You Are Headed

Risk is, essentially, a subjective psychological phenomenon and an almost sensory experience, the perception of one's personal fears processed through our future-gazing frontal lobes into scary "what if" scenes.

Investment advisors evaluating the needs of a new client often ask a series of sophisticated questions that serve the same purpose as the pain chart in a doctor's office, where a smiley face gradually loses its smile — the basic question is, "On a scale of one to ten, how much pain do you feel at the thought of losing everything?" What the advisor needs to know is whether the client can sit in only mild discomfort while watching a portfolio depreciate, or if he'll be hopping around the room in agony — once that's determined, a good financial advisor should be able to prescribe investments that are both effective and well tolerated.

Investopedia describes an investment manager's responsibility: "Developing a proper asset allocation in a portfolio requires balancing many factors including risk tolerance, cash flow needs, time horizon and return requirements." Investment advisors have refined dependable methods for coping with the multi-dimensional, fluid nature of risk. Apart from buy low, sell high they include:

Diversify Broadly — Choose assets based not just on their own volatility and expected return, but also those of other asset groups in the same portfolio. Combine a variety of investment groups or classes reflecting a range of strategies and management styles.

How Investment Advisors Cope With Risk:

Rebalance Periodically — As one part of a portfolio appreciates strongly and other portions perform less effectively, move funds around to take advantage of gains and head-off losses, with the object of bringing the portfolio back into the original intended range of risk-versus-reward measurements.

Monitor Closely, But Sit Tight — Markets gyrate dynamically, a fact no investor should shrug off by leaving assets in the dark to grow unseen like mushrooms. Stay up to date with tides, forecasts, and warnings… On the other hand, keep a steady hand on the tiller. There's a common tendency to get lulled into a false sense of security during booming markets, and then swing to excessive caution when values drop, leading us to invest more aggressively in up markets than in down markets. Raging bull markets are likely to have huge hidden risks, however, and staying true to a strategy tailored to personal tolerance for risk can yield acceptable returns even during hair-on-fire bear-market scares.

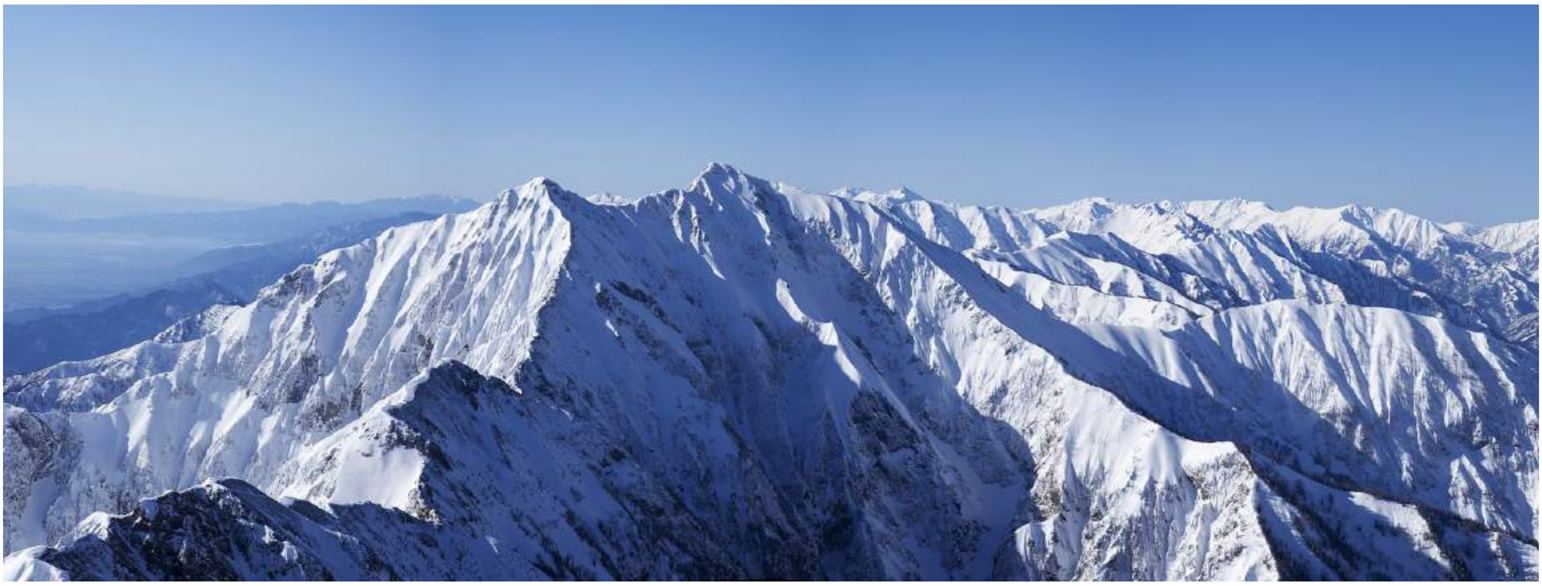
Make Adjustments As Results And Personal Objectives Warrant — Bear in mind a person's comfort level with risk is also dynamic; generally, we tolerate risk during our years of building investments but want to minimize risk as we approach a time when we may need to draw on the assets we've built.

Get Involved — There's no substitute for the client's personal involvement, acceptance of responsibility, and attention to planning in the financial advisor's task of fine-tuning the balance between risk and return. It would be nice to have scientifically accurate numbers to go by, but since risk is a highly personal and subjective experience, the best guidance an investor can give his advisor comes from honest self assessment: How do we perceive risk? How have we reacted to actual risk experiences in the past? Evaluating risk really means evaluating what we care about in life — and there is no simple formula for that.

Many Happy Returns

Achieving the security and freedom that wealth can provide is seldom a matter of luck. It takes persistence, patience, and focus. It can be a long, arduous journey, one mile at a time, but reaching your destination can mean a better life for you and your family.

Choosing a successful route, even with a guide, involves more than simply sticking to a narrow, fixed path. Staying focused on a goal is certainly important, but being limited to a single passive method of reaching that goal can be as costly as wandering aimlessly. When unforeseen obstacles fall in your path, as they inevitably do, you don’t want to find yourself with no alternate routes.



Investor Instincts

When we're faced with an uncertain investment choice or a challenging economic situation, our instinct isn't to dive into stacks of statistical analysis. Instead, we're guided by mental shortcuts like "circle the wagons" or "cut bait and run" — the pure animal impulses toward either fight or flight in a crisis. Usually investors try to convince themselves that they know when to 'get in' and 'get out' and that they know when the 'short-term' and 'long-term' market moves are happening. When markets are going up, we are brilliant and we know that sticking with our goals is the smart thing to do. And when markets are going down, we doubt and question our advisors and our own goals, and out of fear, begin to redefine our goals to match the moment. Recent research shows, as published in the journal Neuron, that people who make definitive long term goals with a "pre-commitment" will be much more likely to stick with their long term plan, to obtain a potentially larger or more satisfying reward, than by simply using their own "willpower", when the heat of the moment presents itself.

Usually investors try to convince themselves that they know when to 'get in' and 'get out' and that they know when the 'short-term' and 'long-term' market moves are happening.

Effective portfolio risk management replaces crisis-driven decision-making, skewed by denial, overconfidence, or fearful reactions to dire predictions, with a steady long-term strategy. Holding an actively managed diversified portfolio and making regular course corrections with a disciplined strategy is common wisdom to investment managers today, and many of the sophisticated 21st century investment strategies developed more recently are designed to counter unpredictable economic conditions and volatile markets with layers of managed diversification.

Investor Instincts

The economist Craig L. Israelsen conducted research on the effectiveness of portfolio diversification, to determine if the accepted wisdom was true: whether a highly diverse portfolio actually outperforms a narrowly focused portfolio over a long period of time. He back-tested (from 1998 to 2012) several portfolios, two of which are reported as follows: one with only two investment categories known as asset classes (70% stocks – 30% cash) and the other with 12 asset classes. His results are dramatic. The highly diversified portfolio achieved nearly double the returns of the narrowly focused portfolio — 7.95% versus 4.32%. Equal in significance is that the highly diversified portfolio produced more consistent returns, with less dramatic movements in value. Thus the risk — the degree of portfolio variability as measured by standard deviation — was less evident in Israelsen's 12-asset portfolio.

For an investment manager, consistent returns over the long haul are more desirable than eye-popping returns one quarter, but anxiety about what catastrophe the next quarter might bring. For one thing, the negative compounding effect of a loss — particularly in the case of a retiree drawing from the funds each month — amplifies negative returns over time. Just as important, perhaps, is that the whole point of investing, ultimately, is peace of mind with a positive return.

Equal in significance is that the highly diversified portfolio produced more consistent returns, with less dramatic movements in value.

Banks and insurance companies failed at their basic job of evaluating risk, deluding each other into a belief there was no such thing as failure, not for them.

Time to Exit the Rollercoaster

Some investors no doubt enjoy the thrill of riding high one quarter, bottoming-out the next and often whiplashing sideways without making much forward progress, and there certainly are investment advisors who specialize in circular rollercoaster style experiences (think Disneyland Space Mountain). But for the vast majority of investors with their eye on the destination of a secure and fulfilling retirement or the preservation of a family legacy, a wealth-management professional's job is to provide a smooth-as-possible, low-stress journey — "wafting" down the road, in the words of Rolls-Royce advertisements. A good risk management strategy, like the suspension system of 21st century cars, fine-tunes the trade-off between high performance and the driver's willingness to 'feel' the bumps and jolts of the road.

One sophisticated risk-management strategy available to investment managers is the use of low or non-correlated portfolio assets whose values are unlikely to move together — with separate asset classes that are affected by separate real-world factors — increasing portfolio diversification and dampening volatility. Another tool is the multi-manager-multi-strategy approach, selecting unique strategies and managers whose styles are known to be very different. This approach provides multiple dimensions of diversification to provide an even greater degree of portfolio depth and breadth for more consistent long term results.

When You Don't Know Where You Are Headed

Everyone wants to see spectacular returns on this quarter's statement, naturally. But when we expect to outperform an arbitrary benchmark quarter after quarter, the portfolio manager is obligated to point out the reading on another dashboard gauge — the risk factor. The investment professional must keep his/her eye on, not just the quarterly return metric, but the ongoing risk-adjusted return – the return obtained relative to the degree of risk exposure.

What matters most, of course, is each person's unique needs and preferences, and to determine those, there's no substitute for an ongoing advisor-client relationship – simply allowing the investment professional to get to know the individual, person-to-person.

It is essential for financial professionals to keep in view the milestones set by the investor: enough funds to cover college tuition at a certain point, a mortgage payoff or a second home, funds for retirement, or perhaps a long-awaited dream vacation. While using quantifiable risk to our advantage to obtain an acceptable, consistent, risk-adjusted return, we must be aware that portfolio "risk" can also have a very personal meaning. To that end, consideration of the importance of ongoing portfolio risk allocation to specific goals – not just to benchmarks – as well as ongoing portfolio fine-tuning, are essential to traveling the long road to a distant goal, but attention to each individual's unique comfort-level requirements along the way is just as important to a successful financial journey.

"What matters most, of course, is each person's unique needs and preferences, and to determine those, there's no substitute for an ongoing advisor-client relationship."

Crossing the Finish Line of Retirement

Retirement after years of hard work and planning can feel like triumphantly crossing the finish line of an exhausting marathon. But as the economic setbacks of recent years have demonstrated, the race can just be beginning at that point. Unpredictable political or natural events, “disruptive” new technologies, breakthroughs in key industries, combined with ever-improving prospects for our longevity, can stretch even the most flexible and secure-seeming financial arrangements to the limit. The best bet, given the uncertainties of life, is 1) to use a disciplined, predetermined, pre-committed approach to portfolio diversification designed to achieve steady moderate returns while avoiding high volatility, and 2) to consult with a knowledgeable professional for on-going guidance. Consistency takes on heightened importance once you retire and begin withdrawing retirement funds, because the negative compounding effect of whipsawing investment moves, combined with scheduled withdrawals, can quickly deplete funds. Consulting with a professional who appreciates your goals and has a seasoned understanding of volatility can provide valuable reassurance in times of change and stress.

“Consistency takes on heightened importance once you retire and begin withdrawing retirement funds.”

Is an Investment Advisor Really Worth an Investment Advisory Fee?

Wise people understand the popular axiom: Price is only an objection in the absence of value. This idea applies especially well to the Investment Advisory world. As an investor, what are you willing to pay for genuine, educated, unbiased, fiduciary-fee-only investment advice? What is surprising is that there are still investors who would rather go it alone by trying to use the 'do it yourself' approach or by using a computer automated 'robo' approach, thinking they can do better on their own, or that investment advice is not worth the price, or both. With the average fee charged by investment advisors between one and two percent annually, some investors are asking themselves whether the advice they receive actually results in an advantage in their investment performance. In other words, could they do better on their investment returns if they didn't have to pay an investment advisory fee?

On the surface that may seem like a fair question, at least until you examine what value the right fiduciary-fee-only investment advisor actually brings to the relationship. The real question is whether or not you feel that the advice you receive will add at least the fee paid in value to your portfolio.

Investor Instincts

- A good investment advisor will have positioned your portfolio with proper diversification to withstand increased volatility and reduce the downside exposure. A well-thought-out, well-diversified, strategically allocated portfolio will usually decline less than the stock market indexes, and less than a comparable portfolio index, and this fact will contribute positively to your long term returns.

- A good investment advisor will keep you focused on your long-term objectives rather than on short term market shifts that will have little or no impact on the long term performance of your portfolio. Many investors who fled the market in 2008 still haven't recovered, while those who stayed on the roller coaster market certainly have gained substantially.

- A good investment advisor will help you avoid the many common mistakes investors make: like trying to time the market, like chasing performance, like trying to pick the winners, and like moving a portfolio from aggressive to conservative and back again. These mistakes can cost investors a significant portion of their portfolio value.

- A good investment advisor will always have your best interests and long-term objectives in mind by working as a fiduciary-fee-only advisor, which will free you of the time, energy and worry spent trying to manage your portfolio on your own, and that could be priceless.

- A good investment advisor will take into consideration your entire household situation, including how your investing goals and your portfolio strategy may impact your tax matters and your estate plan. Does your investment advisor occasionally offer to review your estate plan and offer suggestions for the purpose of educating the trustees and/or family to prepare for a smooth transition? Does your investment advisor offer to talk with your CPA and Estate Attorney to discuss your estate plan and offer assistance in preparing your estate for an efficient administration by the successor trustee/executor when the time comes?

Is an Investment Advisor Really Worth an Investment Advisory Fee?

A truly honest appraisal of the value of investment advice would have to consider how much time and money you stand to lose when the going gets tough, not while everyone is riding the wave of a market rally or an economic boom.

If a good investment advisor can help you in any one of the five ways described above, they could be worth their weight in gold. A really good advisor will typically help you in all five ways all the time. What's that worth to you? Can you really put a price on the value they bring to your long term results? Should you really object to their price if you consider the value they are able to bring to your table?