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COROMANDEL WEALTH MANAGEMENT

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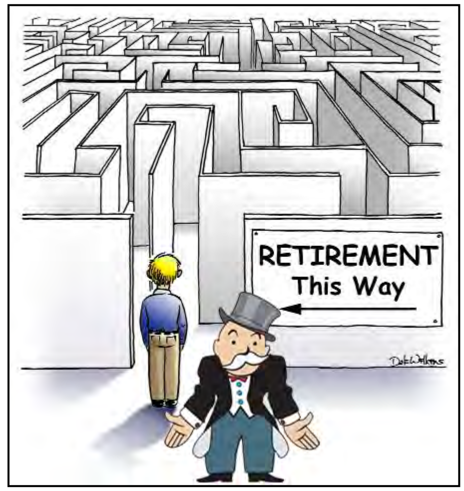
Getting your financial $$$'s worth

Navigating the Retirement Maze



"You never know who's swimming naked until the tide goes out."
- Warren Buffett

This oft-quoted aphorism from Warren Buffett is typically used in reference to investment strategies, but applies equally well to the fees that investors pay to their advisors. When there's a bull market – the S&P 500 was up 29 percent last year – people tend to ignore fees. However, in a low or negative return market, fees can stand out like Buffet's naked bathers at low tide.

Over the past five years, a number of online services that purport to help you manage your money have appeared, dubbed "robo-advisors" by the financial media. Considering the range of services that they offer, it's fair to ask whether you're getting your money's worth from your current advisory firm. This might be a good time to do some comparison shopping.

Enter the "Robo-advisor"

Only a naïve business person never looks over their shoulder to see whether the competition is catching up. Internet-based companies have already materially changed the landscape of many businesses – think record stores, retailers, video rentals – so I occasionally check to see what my online competition is doing. At present, there are over a dozen web sites that offer varying degrees of financial services, ranging from portfolio management to phone advice from a financial planner. Much venture capital money has gone into these firms with the goal of creating an Amazon.com of online financial management. Their success to date has been modest, compared to the overall market for financial advice.

I've been impressed with some of these sites, but I'm not about to go looking for a new day job just yet. In fact, I see these "robo-advisors" posing the greatest threat to those money management firms that only do portfolio management, particularly those using fee-heavy mutual funds that add to the client's total cost. If that's all you're getting from your advisory firm, would you rather pay 0.25 percent to a "robo-advisor," or 1.5 percent to a bricks-and-mortar portfolio manager who serves you cappuccino when you visit their office? (Hint: Starbucks is much more cost-effective.) If you have less than $2 million being managed by a major brokerage, you can expect similar fees and level of service.

"Show me the services!"

In the movie "Jerry Maguire," client Rod Tidwell admonishes Jerry to "Show me the money!" Maybe it's time for you to say the same to your financial advisor regarding the services you're receiving. For what it's costing you each year – $3,000? $5,000? $10,000? More? – ask yourself what you get in the way of the following:

- Tax planning – Review your annual tax return to look for ways to reduce your taxes? How can they determine the best "tax advantaged investments" if they never look at your tax return?
- Insurance coverage – I'm not talking about selling you insurance, but reviewing your existing policies to make sure that there aren't any glaring coverage gaps.
- Education funding – Suggest funding alternatives for your children's education? Identify ways to reduce taxes with the proper deductions? Make sure that you're not beggaring your retirement because of college expenditures?
- Retirement planning – If you're not yet retired, are you saving enough to meet your target retirement date? If already retired, are you at risk of outliving your savings?
- Estate planning – Make sure that your basic planning documents are up to date? Ensure that you have the correct beneficiaries on your accounts? Explore using trusts to protect assets, reduce taxes, and ensure that your estate goes to the intended beneficiaries?

These are the types of services that a financial advisor ought to be providing if you're paying 1 percent or more of your assets being managed. If you go to a doctor for a complete physical and all they do is take your temperature and blood pressure (and charge you for a full physical), that isn't going to prove that you're in good shape. Neither is "Your portfolio beat the benchmark!" going to tell you if you're in good financial health.

Here's a quick test: Convert your advisor's fee from a percentage to dollars, and then ask yourself whether you'd pay that much if you had to write a check each year for the services you're receiving. Because effectively you are.

Make sure the services match the cost

If you typically stay at Days Inn hotels, you don't expect a concierge to greet you by name, nor have a bellman offer to carry your bags to your room. Stay at the Four Seasons, though, and you'd be shocked if they didn't provide those amenities. Ask yourself: Am I paying Four Seasons rates for a Days Inn level of financial services? If so, maybe it's time to reevaluate the level of services you require, and then shop around for an advisor that better suits your needs and your pocketbook.

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