

The Role of an Investment Advisor

A Partner in Achieving Your Financial Goals

For years, most people who wanted to invest in the stock market worked with a traditional stockbroker who provided advice for free and was compensated, via commission, when a product was sold. Each stockbroker had access to a limited array of investment products, so many of them conducted capital markets research, picked securities and managed client portfolios themselves. Although this arrangement is still the dominant business model in the insurance industry and at many major brokerage firms, the model is changing.

Developments in the field of information technology have led to efficiencies that now enable investment advisors to access some of the country's most successful investment specialists in every area of the business from small-cap stocks and municipal bonds to blue chip stocks and hedge funds. They can also access firms that specialize in capital markets research, the construction of asset allocation models, the evaluation of money management firms and the creation of investment portfolios designed to meet specific objectives (e.g., long-term growth, current income, etc.). Many of these services are provided on a fee-basis. The fee is generally a percentage of the amount invested. If the assets grow, the advisor is rewarded for the success because the fee percentage is now calculated on a larger asset base. If difficult markets reduce the assets, the advisor's fee falls because the fee percentage is now calculated on a smaller asset base. So, in a reversal of the traditional model, advisors are paid to give advice and, in many cases, earn nothing from the sale of a specific investment product.

What This Means to You

Instead of relying on the skills of a single advisor to help you achieve your goals, you get to leverage the talents and resources of an entire industry. Instead of a limited universe of investment options, you are working with an advisor who has access to a universe of resources composed of specialists in every field. Instead of relying on a single advisor to oversee every aspect of your portfolio, each component of your portfolio is managed by an expert in that discipline—managing investments is all they do. Instead of paying a commission to purchase a product, you pay a fee for advice or a combination of fees/commissions depending on your investment needs.

The Role of Your Advisor

So with access to all of these specialists, some investors are unclear about the role their advisor plays. Some come right out and ask, "What does my advisor do for me?" Here's the answer. Your investment advisor:

- Works with you to discover your personal financial objectives
- Assesses your entire financial situation (all major holdings including home equity, art, stock options, etc.)
- Designs a customized investment plan that offers a realistic opportunity to achieve your goals
- Screens the industry's best service providers to identify those that offer services that complement your goals
- Works with those providers to implement your customized investment plan
- Monitors the providers and replaces them if they fail to meet your objectives
- Tracks the providers to be sure they don't stray from the investment style they were hired to implement
- Monitors your portfolio and recommends adjustments to your strategy based on conditions in the capital markets, changes in your life and progress toward your goals
- Provides education and guidance to help you understand your investments and to keep your goals in sight and portfolio on track regardless of current market conditions
- Celebrates with you when things go well
- Feels your pain directly on the bottom line when times are tough

In addition to these benefits, you get peace of mind. At a time when everything on Wall Street has been called into question, you work with a partner whose intentions you never have to doubt because the only way your advisor's dreams will come true is if yours do.