

## **9 Reasons to Have a Financial Advisor**

These days there's a lot to think about when it comes to managing your finances. Seemingly minor details can cause massive problems if overlooked and not handled properly. The massive upheaval in the financial markets has reinforced a very basic concept: a good financial advisor that knows your complete financial picture can save you a ton of time, money and unnecessary headaches. Here's a quick list of 9 frequently overlooked items that a competent, qualified financial advisor should address and help you solve:

### Too much cash in troubled banks

FDIC insurance is \$250,000 per legal owner per institution (the FDIC recognizes 8 legal ownership categories.<sup>1</sup> Account balances in excess of FDIC insurance limits may not be recoverable in the event of bank insolvency. If you think you are holding more than your FDIC covered limit at a bank, pick up the phone immediately and call your financial advisor to review the safety of your money. One call can potentially save you from losing vast amounts of money and prevent self recrimination for years to come (as in "Why did I keep so much money in one bank?")

### Not paying attention to taxes

Many investments come with a tax liability which can eat away at your expected return. Watch out for fully taxable interest income, short term capital gains, and non-qualified dividends that are taxed at ordinary income tax rates. Investments that generate these sorts of gains can still be quite good, but make sure you fully understand your tax ramifications and have explored all of your other investment options.

### Frequent buying and selling of investments can generate capital gains unnecessarily

Although the current market conditions have in many cases warranted action, excessive transactions may trigger unnecessary capital gains tax liability. This is especially cumbersome when dealing with short term capital gains which are taxed at ordinary income rates.

### Not taking advantage of tax loss harvesting techniques

Tax loss harvesting has nothing to do with agriculture. Capital losses can be written off against capital gains in most cases, and the unused portion can be carried forward until used.<sup>2</sup> A savvy financial advisor (in conjunction with your tax advisor) who knows your complete financial picture can devise strategies to help minimize your tax burden by matching up gains and losses across your entire financial holdings, including business, real estate, and investment assets.

### Not taking advantage of appropriate retirement plan options

There is a wide array of retirement plans for businesses today, ranging from basic SIMPLE IRAs to highly complex Defined Benefit/Profit Sharing/401k combination plans. A competent financial advisor (in

conjunction with a qualified Pension/Third Party Administrator) should know the differences between these plans and be able to intelligently recommend appropriate options to defer your current income.

#### Not properly diversifying your investments

Overconcentration is a huge issue for many investors. This comes in the form of too much in single securities, too much in specific asset classes, and even too much money in certain investment vehicles. Nondiversification can lead to dramatic swings in the value of your portfolio and contribute to financial uncertainty, not to mention potential financial ruin.

#### Panicking and switching investments prematurely

A seasoned financial advisor should be able to communicate well with you and keep you from panicking and moving your investments when patience and discipline is required. See my article “Sticking to Your Plan” for more details on knowing when to sit at the table, and when to walk away.

#### Not planning for your retirement

Many affluent investors are concerned about not having enough money to last through retirement. A responsible financial advisor should be able to show you the likelihood of you outliving your assets, and should also have the gumption to tell you if you need to moderate your lifestyle in order to make your assets last a lifetime.

#### Not planning for the next generation

How will your assets be passed on? Have you reviewed your estate plan in the last 3 years with your attorney? These and other questions related to your legacy should be addressed by a competent financial advisor. It does not cease to amaze me how otherwise intelligent and wealthy investors neglect and/or fail to update their estate plans, essentially saddling their future generations with unnecessary tax burdens and legal complications.

In summary, a responsible, well qualified financial advisor should work in tandem with your tax and legal advisors to help you make sure that all of the pieces of your financial picture come together properly. If you don't have a financial advisor, or are dissatisfied with the service, advice, or performance of your current advisor, give me a call today to schedule a no cost consultation to review your situation.

<sup>1</sup>For complete details on FDIC coverage go to [www.fdic.gov](http://www.fdic.gov)

<sup>2</sup>See <http://www.irs.gov/taxtopics/tc409.html> for complete details

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