Find a Financial Planner Who's a Cool Cucumber

Don't panic, and look for an adviser who will look out for your best interests.

Certified Financial Planner Harold Evensky Photo by Mark Umstot

By BRENDAN PEDERSEN, Reporter
January 31, 2019
From Kiplinger's Personal Finance

Harold Evensky is a certified financial planner and author of Hello Harold: A Veteran Financial Advisor Shares Stories to Help Make You Be a Better Investor.

Where should investors who are interested in hiring a financial planner look for advice? We recommend looking for the three p's of advice givers: philosophy, or what they believe and how consistent they've been in their approach; process, or how they make their philosophy work in the real world; and people—their experience, track record, staff and professional credentials.

Look for certified financial planners. A CFP is required to serve as a fiduciary, which means the adviser has the responsibility to act in your best interest, rather than the best interest of a firm's bottom line. That's a higher standard than the one for brokers. Brokers are not required to disclose conflicts of interest or provide an investment recommendation that is best for the client's needs. A broker's recommendation must be "suitable" for your risk tolerance and investment goals, but it might not be the lowest- cost alternative.

What do you tell clients during market downturns or periods of volatility? The consequences of selling investments in response to a market downturn can decimate your long-term plans. That's because you need to time when you're getting out and back in. The market moves fast: If investors don't get back in as it recovers, they miss out on rising prices. Down markets are a chance to buy when stocks are low and to rebalance your portfolio to get back to your target allocation of stocks, bonds and cash. Those who look long-term and rebalance along solid parameters are going to recover far sooner than those who got out or who didn't do anything during a downturn.

What advice do you have for investors who say they want to move their investments out of the market to avoid risk? Investors confuse certainty and safety. They think they can go to cash, certain they won't lose money, but that's not actually safe for your long-term financial well-being. You need to have assets in the market to keep up with taxes and inflation. If you go all-in on CDs, for instance, you simply won't have adequate returns to keep up with the cost of living. Certainty comes from good planning, not an investment with a certain return.

Any other advice for investors? Turn off the TV and radio. The day-to-day volatility you hear about is noise. If you look at history, these talking heads have never been right, and they don't know more than anyone else.