

# Top 10 Ways A Financial Advisor Can Actually Help You



I'm pretty hard on advisors on this site. That's because most of them are sharks, or at best, uneducated salesmen. My best estimate is that you shouldn't take advice from 90-95% of those marketing themselves as financial advisors. But that's

not to say that all advisors are bad for you, nor even that they don't add value above and beyond their fees. Here are the top ten ways they can actually help you.

## 1) Help You Develop a Reasonable Plan

This can be a do it yourself project. But it will require reading a few books, spending some time on the internet on sites like this one, and probably bouncing your ideas off knowledgeable people, whether they are professionals or folks on the [Bogleheads forum](#). But I'd be kidding myself if I said to you that most docs want to do this, or even can given their current state of financial knowledge. Nothing wrong with hiring someone to help you set up a reasonable plan.

## 2) Enforce Discipline

The best plan doesn't do you any good if you sell out at market lows. Studies show that investors routinely underperform the funds they are invested in. This is because they pile in at market highs (or after strong performance), and flee the market at the lows. The classic mistake of buying high and selling low. While even some professionals make this mistake (especially those convinced they have the ability to time the market), it's a lot easier to do it with

your own money than with someone else's since there are a lot more emotions involved.

### **3) Help You Avoid Stupid Investments**

While many "advisors" actually push you into stupid investments like permanent life insurance, loaded mutual funds, bad business deals, and unfavorable limited partnerships, a good advisor will be quick to point out their flaws and keep you on the straight and narrow.

### **4) Recommend Other Professionals**

You are likely to need an accountant, various types of attorneys, an investment manager, an insurance agent, and other professionals from time to time. A good advisor can help you get in touch with knowledgeable, ethical folks.

### **5) Give You a Second Opinion on Your Plan**

Even if you choose to manage your investments yourself, it's nice to get a second opinion from time to time. An advisor, particularly one who charges hourly, is ideal for this function.

### **6) Sell You Appropriate Insurance**

You need to have an appropriate property, liability, disability, and life insurance plan and you pretty much can't buy these products without some type of an agent being involved. Many advisors can perform this function themselves, or refer you to an insurance agent who can do it for you.

### **7) Provide Education**

A good advisor will teach you about financial topics. The prepared mind learns a lot more, but even the unprepared mind is likely to learn something new from each encounter.

### **8) Perform Necessary Portfolio Tasks**

Somebody needs to direct the new investments, rebalance the portfolio, tax-loss harvest, and perform other necessary tasks. If this is too burdensome for you, there are many people out there willing to do it for you for a price.

### **9) Provide Encouragement**

Many people find they not only need financial advice, but they need financial coaching. An advisor can add a lot of value if he can get you to spend less and save more, or at least concentrate your spending on those things that will bring you the most happiness.

### **10) Be The Back-Up Plan**

Many do-it-yourself investors have a spouse with zero interest in the topic. Having a relationship with an advisor gives your spouse someone you trust that they can go to if you die or become disabled.

Despite my many negative comments about advisors, there are good advisors out there. Some of them even charge reasonable fees. The vast majority of doctors will use a financial advisor at some point in their lives and that's okay. Just remember that finance, like politics, is a contact sport.