

Who's Managing Your Family's Money?



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For many families, this is a question getting some new answers lately and sending the financial planning profession into profound change. Once the exclusive domain of "the man of the house," managing the family's investments is increasingly shifting to the one who schedules the medical appointments, gets the kids to school and gets the bills paid; Mom.

The job is getting more complex. More American families than ever have stock market investments, mutual funds, 401ks, college funds and recent or pending inheritances to consider. The majority still handle this work without outside help, but we're seeing more people who are wondering if they're making the best choices with their family money. Families are changing, and they're changing the way they do business.

All of this is sending major investment businesses and brokerages on a mission to find out, what do women want? What makes us select or change a financial advisor? How do we know when we're getting it right, or whom we can trust?

In my twenty-five years of managing investments for women, men, couples, and families, I have never found one great formula just for women. One-size-fits-all doesn't work for panty-hose and it doesn't work for financial planning. The biggest complaint I hear from women with financial planners or brokers is "He doesn't really know me." One woman told me, "My broker sort of came from my Dad with my inheritance. He reminds me of Dad's leather chair. Solid and comfortable, but I wonder if there's a better choice for me. I don't know how to evaluate that. What should I be looking for?"

This woman was in her high earning years with 18 years to go before she planned to retire. She had two children headed for college. Yet she was holding some quite conservative investments that had likely been appropriate for her father in his later years but not for her. She and her broker had not discussed her investment objectives or her tolerance for risk.

We were able to make significant changes for her.

Women need to question old assumptions that can still find their way into the advice we get. Are we less risk-tolerant than men? According to a study by Merrill Lynch Investment Managers, women are less likely than men to hold a losing investment too long (35% versus 47%), or to wait too long before selling a winning investment, (28% versus 43%). Women's incomes have increased significantly in the past two decades, and much of that increase is coming from businesses they started. Women-owned businesses grow at twice the rate of all U.S. firms.

For anyone seeking to evaluate an investment advisor, there are five key questions we recommend:

How is the financial advisor paid?

Is the advice you receive based solely on your best interest, or is it partly driven, by commissions, sometimes called "revenue sharing?" People who provide service for a fee, such as Certified Financial Planners, are required to spell out how they are compensated and any potential conflicts of interest. People who sell securities such as stock brokers have requirements generally seen as less stringent. Investments they recommend must be "suitable" for their clients, a standard seen as less stringent.

What does this advisor know about you?

Before making recommendations, has this person asked you about your life goals, your values, your family? When do you plan to need money for retirement, for college, a business expansion? How is your health?

What are the advisor's experience and qualifications?

What licenses or certifications does the advisor hold? What are the resources of his or her firm? I recently was asked for a second opinion on a financial plan proposed by someone described only as a "financial planner." I learned that he was a full-time employee of an insurance company and was quite limited in the kinds of investments he could handle.

Does he or she have other investors with assets and interests similar to yours?

Where is the advisor licensed or registered?

Just as it is with finding the right medical care and the right schools for your family, the careful choice of your professional financial advisor can make a lifelong difference in your family's financial security. The first step is to pick up your last statement and take it out for a visit to get another opinion. Expect to spend some time. Take the time it takes to get all the answers you need.

Heidi Clute is the owner of Clute Wealth Management in Plattsburgh NY, an independent firm that provides strategic financial and investment planning for individuals and small businesses in the Champlain Valley region of New York and Vermont.