

The Importance of Professional Advice

In an endeavor as critical as managing your investments, it is prudent to handle some situations with the help of a competent professional advisor. Many individual investors simply do not have the time, patience, or persistence to deal effectively with their investments over the long term. Many investors have the motivation to put in the required time to fully address their investments at the outset, but become less motivated as time goes by.

In addition, there are some very common mistakes that individual investors make that a professional advisor can help to overcome, including:

- Making ad hoc fear-based revisions at the first sign of market weakness
- Omitting the process of drafting an investment policy statement
- Emphasizing individual securities rather than the overall portfolio
- Failing to reevaluate their financial situation at least annually and then revise their investment policy statement
- Getting caught up in the hype of the market and lose investment focus
- Chasing the latest investment fads

When to Seek Professional Advice

There will be times when you can handle most of the management of your financial affairs. However, there will be other times when you should seek the help of an investment pro. The list below examines some of the situations when it makes the most sense to seek the help of a competent investment advisor.

1. When confronted with complicated financial products and strategies

Most of us have heard of disability, liability umbrella, and long-term care insurance, but do we really know the basics, let alone what type of coverage to select? People with employment stock options or business owners with limited family partnerships can also benefit from the help of an advisor.

2. When getting married

Combining your money, and debt, with your spouse can pose significant challenges. These challenges range from deciding to file a joint tax return or single tax returns to taking advantage of all child-related tax benefits. Financial planning advisors and tax advisors may provide you with the best solutions.

3. When buying and selling a house

Although not their traditional work, financial advisors may provide some much needed insights into such issues as capital gains, down payment, mortgage alternatives, and home sale reinvestment options.

4. When buying or selling a business

The complexities of buying or selling a business can be quite significant if not downright grueling. A financial advisor can help with capital gains and proper wealth transfer.

5. When getting divorced

Simply dividing assets could be a cumbersome and very problematic issue. In addition, new financial plans such as wills and insurance policies will probably need to be revised.

6. When you inherit money

Although coming into a substantial amount of wealth is generally a good thing, people who have little experience managing money may run into challenges. An investment advisor can help you allocate your inheritance to ensure it lasts for a prolonged period of time.

7. When rolling over your 401(k)

Although this task is not especially difficult, many investors can get tripped up. A financial advisor can help ensure that your rollover is not taxed as an early withdrawal.

8. When saving for college

There are many people who do not know how much money they should be saving each year and what the best investment vehicle is. Since tax codes, especially those targeted at saving for college, seem to change each year, working with a financial advisor could prove very beneficial.

9. When planning and managing your retirement

Planning your retirement is only half the battle. Managing your retirement is just as important. A good financial advisor can create a plan for you that will help give you a chance to pursue the lifestyle you hope to have during retirement. In addition, they can help you to plan out how best to manage your finances when you are enjoying your retirement.

10. When planning for wealth transfer (e.g., estate planning)

This area can often be the most complex of all financial matters. Aside from deciding who should receive your wealth, you must decide how much they receive and when they receive it. Other issues such as minimizing taxes and dealing with beneficiaries who are minors can become challenging.

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