

FINANCIAL ADVISOR OR SCAM ARTIST?

A financial advisor is anyone who offers you information, products, services, or opinions on any matter that could affect your personal finances. A scam artist is someone who intentionally sets out to profit only for personal self-interest. Before you can make the distinction and be comfortable working with financial advisors, you must first understand who your advisor really is. Why is this definition important? Because technically, myself, or anyone else providing financial information, is providing you with financial advice. You will use this information to evaluate financial products, strategies, and to make financial decisions. This is an important distinction because we make judgments and decisions based on our knowledge, which ultimately stems from personal experience and from information we have received – whether or not we actually solicited that information.

Normally, we think of a financial advisor as a person who is in the business of providing us with professional financial information. However, the definition I offer here includes those people; but also, the authors, speakers, friends, family and institutions we come in contact with daily. The information they share with us could come as a specific idea, strategy or principle such as having written goals; as an individual product, service or strategy such as a mutual fund, RESP or insurance product; as a formal financial plan from a qualified and experienced professional; or even as a casual comment from a friend or family member.

Financial information from our own experiences gets combined with all the tips, ideas and strategies we receive from the various sources to determine how we make decisions. This is important to understand because whether the person we listen to is a professional advisor or not, we still weigh the information we receive from them against all our other experiences, along with information we have, to ultimately make our decisions. AND, it's these decisions that determine our financial outcome. Yes – ultimately we are the one's who make the decisions and we are the ones who reap the rewards or suffer the consequences of ALL financial decisions.

When making ANY financial decision – especially the bigger ones like investments for retirement, real estate transactions, tax strategies, insurance products, etc., it is essential to consider who is offering you the information as well as to become aware of your personal judgments, biases, fears, desires, values, and preferences. What does this person know about your ultimate vision and goal for your life? How is this product, service, idea or information going to support the vision? We need to be aware of our vision so we can make decisions that support the goals.

What do we expect this person giving advice, or this product, service, or concept to do for us? And who is responsible for the outcome – either positively or negatively in each situation? Have we verified the recommendation with other qualified sources and compared it to our personal goals? Yes – personal goals – not the goals of the person giving the advice or of your friends or family – your very own, unique goals. If we don't know where we're going we'll probably end up somewhere else because we are making decisions that are based only on the moment or short-term situation and they may or may not be supportive of a longer-term vision. And, if our vision isn't clear how can we expect the person giving advice to know what's best for us?

What about a professional advisor is important to you? What do you expect them to do for you? Can you write that down and be clear before acting on their advice. This is the same strategy that applies to your brother-in-law or any other third party information. You must be clear on your outcome and understand your expectations BEFORE acting – regardless of the perceived qualifications of the source. You must also be clear of the weight you are giving to each source of information – professional, friendly, authored, or your own past experiences.

There are three categories of information to explore in realizing financial success and by far the largest and most important is in knowing yourself. The other two are: knowing your advisor and knowing your investment. When you know yourself this is the basis from which you evaluate advisors and investments. You are far less likely to be taken by a slick talking salesman when you are clear about your own motivations for acting. And because in the absence of facts, all opinions are valid - without knowing where you're going, even the facts can look good at the time, and a perception of better knowledge than yourself can cloud your decisions. Without vision and goals, any solution or product can always be justified at any given time.

You are the one who is affected most by the decisions you make – good or bad – even the best intentions of the advisor will still ultimately be yours to live out. When you take control of your financial decisions, you understand yourself and what you ultimately want for your life, you ask more questions and work effectively with professionals – not giving them blind trust and expecting them to know everything about everything. They certainly have professional standards to adhere to, but they too are affected by their own experience, preferences, biases, values, etc. as we all are. Become personally aware, make informed decisions, follow up if you suspect any wrongdoing, yet take responsibility for the outcome of your decisions and reap the rewards that are yours when you know where you're going and how you're getting there.

A handwritten signature in cursive script that reads "Tracy". The letters are fluid and connected, with a prominent loop on the 'y'.