



5 signs it's time to fire your financial planner

By DAVE CARPENTER

CHICAGO - Telephone calls began flooding in to financial planners early last month as the pain of June 30 account statements hit home.

For many clients who had relied on advisers to steer them through a turbulent market, steep drops in the value of their portfolios from as recently as a month earlier came as a double-digit shock.

"That's when the phone calls start - when the market goes bad and they get a statement," said Ed Gjertsen, a certified financial planner in Glenview, Ill.

Most people simply want to be reassured that their investments will be OK, he said. But many may wonder privately about the wisdom of the advice they are paying for and ask themselves how they would know if their adviser is at least partly to blame.

There's no simple litmus test for a consumer to use; performance of the portfolio is only one indicator.

"To know if you have a bad planner is often not easy," said Gjertsen, vice president of Mack Investment Securities. "You may not know till it's too late, and that can be scary."

Sometimes a planner's actions are transparent and lapse into the unethical. George Hallinan of Leawood, Kan., spotted a problem with his account. During the market's bull run in the late 1990s, he watched his monthly statements with increasing concern as his new financial planner routinely bought and sold stocks in his account.

"The net result was I was only about even after six months because he was making commissions on all the sales," said the retired insurance broker, 86. He and his wife called the planner to task.

The Hallinans changed advisers after a financial planning instructor at a local college agreed that their account was being milked.

Clients disturbed by excessive losses in a bear market may be inclined to do the same. But changing advisers should not be based on emotion, says Mike Stanfield, chief executive of VSR Financial in Kansas City.

"You've given a financial planner all your financial data and probably invested quite a bit of time and effort," he said. "So be careful - make sure you're changing for the right reason."

Here are five warning signs that suggest it might be time to replace your planner:

POOR COMMUNICATION:

When times are good, your calls may be returned promptly and communication is fine. But if you are stuck with a bad planner, you may get the runaround or not hear much of anything in a downturn.

Stanfield says most people who leave their adviser do so not because of poor performance but because of limited access or some other breakdown in communication.

Not getting return phone calls or e-mails, or finding it difficult to schedule a face-to-face meeting may mean it's time to deliver the pink slip.

ABRUPT CHANGES:

If the long-term strategy your adviser worked out with you is cast aside when the market tanks, that could be a problem.

Experts say some changes may be warranted in a down market, particularly with taxable accounts, but not wholesale ones. For example, it might be worth taking some tax losses by moving money from holdings that have declined in value into similar assets.

"The correct strategy is not to sell out and go to cash, it's to say 'This too shall pass' and say what your strategy is for the next time the market's up," said Richard Salmen, vice president and senior adviser at GTrust Financial Partners in Overland Park, Kan. "A bad adviser is going to blow with the wind a little bit more."

NO CLEAR STRATEGY:

In a bull market, a sub-par financial planner might be able to produce good results, without any defined strategy. But more than just cruise control is needed at times like this.

Whether it's sitting tight or looking for under-valued stocks, any strategy needs to be well-thought-out and consider both the short and long term.

"If the adviser doesn't have a strategy they can articulate to you, you can pretty much guarantee that you'll have poor results," said David Twibell, president of wealth management for Colorado Capital Bank in Denver.

TOO MANY TRANSACTIONS:

Excessive transactions may be easy to spot if stocks are bought and sold in your account nearly every day, as happened with Hallinan.

But Dan Moisand, a certified financial planner with the fee-only management firm Moisand Fitzgerald Tamayo in Melbourne, Fla., says it's the unexplained transactions that merit looking into.

Is the planner doing something different than she was before? What was the thinking behind the transaction? An investor is wise to ask the adviser questions if he doesn't understand something on the account statement.

TRANSIENT PLANNER:

If you have a planner you like but he moves to a new firm, be wary of the reasons.

Perhaps the planner is moving up and looking for higher pay. But there's always a possibility there were issues with the services he was offering clients, forcing him to leave.

Find out the rationale behind the move - ask more questions.

Choosing a planner or adviser wisely to start with can help head off the hassle of having to fire one.

The Certified Financial Planner Board of Standards has a list on its Web site of 10 questions to ask when choosing a planner, including queries about experience, qualifications, services offered, approach, cost and whether another person may be working with you. It also tells how to check on someone's disciplinary history with any of five regulatory agencies.