



December 20, 2009

Your money

## Do today's investors still need the services of a broker?

Watch any television these days and you'll see commercials for online brokerages. By investing yourself, these ads say, you can save money on transaction fees, broker commissions and the like. This week, several area experts make their case about why most people still could use advice from a broker or registered investment adviser. Members of the Financial Planning Association of Greater Indiana may be able to advise you on this. You can visit their Web site at [www.fpagrindiana.org](http://www.fpagrindiana.org).

### **Christopher A. McCauley, Strategic Planning Group**

Most but not all investors still need assistance.

For those investors willing to put in the time necessary to fully understand investing, doing it yourself may be an appropriate option. Plenty of resources are out there for investors willing to educate themselves. For others, hiring a broker or registered investment adviser is a wise move.

If you hire someone to help you, be aware of the differences in the people you hire. There are two primary types of individuals you would choose -- a broker or an RIA. A broker is compensated by commissions, and an RIA is compensated by fees.

Another key difference is that an RIA is held to a "fiduciary standard" when working with you. What does this mean? It means the RIA must place the client's interests ahead of his or her interests when researching and recommending an investment for you.

A broker works with you not on a fiduciary standard but according to a suitability standard. This can be considered a lower standard of care, where investments must be "suitable" given your circumstances and objectives. Another difference is that brokers can participate in sales-incentive programs when selling investments to you, whereas RIAs cannot.

Lastly, when working with a broker or RIA, you should understand how much they will be earning by working with you. Just as you know how much you pay for a tax preparer or home remodeler, you should know how much you will have to pay for your investment-management services.

### **Paul Coan, Wealth Planning & Management**

Individual investors have no choice on whether to use a broker, since they're not members of an exchange.

You may have seen those exchange members or floor brokers on TV waving their hands and yelling at each other. They are the only ones who can actually execute a trade, and they don't take calls from individual investors.

The real question is: "Do you need a financial professional?" This question may be more important today than ever before. From the do-it-yourselfer to the full-service broker (calling themselves financial advisers), each is clamoring about being the best choice.

Some investors are comfortable with executing trades with a few mouse clicks, but others want human contact. Full-service brokers can provide you with more than an efficient-sounding voice. Good brokers, and they do exist, offer their clients sound advice on investing.

I am a bit biased, but you need someone with the education, expertise and temperament to assist you in dealing with all aspects of your financial life in both up and down economies. Someone who takes a holistic approach, such as a financial planner or a wealth adviser, that can address both sides of your balance sheet.

Such an adviser should organize, analyze and prepare your finances into something that works for you. Not a so-called "financial quarterback."

The only time Peyton Manning plays defense is when he throws an interception. Defense and special teams are important in sports as well as investing.

## **Chuck Hensley, Raymond James & Associates**

In most cases, the answer is yes.

Successful investing requires four key ingredients.

First, you must have the time to manage your portfolio. This includes monitoring and reviewing your holdings, researching investments, making trades, etc. Most people are so busy with careers, families and activities that they don't have the time to devote to managing their investments.

Second, you must have knowledge of how different investments work, which are appropriate for your situation, and what are the future expectations for the investments.

Third, you must have an interest in dealing with day-to-day investment issues: tracking investment and economic news, following the markets, and studying charts and fundamentals of companies and funds.

Lastly, and perhaps most importantly, you must have the right temperament. If you become nervous when markets get ugly, like last year, or start investing more when markets are doing well, then your emotional temperament will lead you toward poor choices. This can be devastating to long-term investment success.

A good broker or adviser will help you navigate through the mountains of financial and economic data; will help you select appropriate investments; will notify you of important changes that affect you; and will help keep your emotions in check, oftentimes saving you from yourself.

Your money, and the decisions you make about it, is too important to leave to chance. Seek appropriate guidance, much like you do for other key areas of life.

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