

Fees! Fees! Fees!

Are Brokers Worth Their Fees?

ASK ANY investor this question and you likely receive one of the three very short responses: No, maybe, or yes. I will be the first to admit that I have asked myself this question on multiple occasions. Recently I was reviewing a prospective client's investment account and asked, "Why is she even paying this person?"

A little secret, known only in the investment community, is that many "investment professionals" are not required to have any formal training outside of an entrance exam. That's right, your "investment professional" may not have earned a college degree, any advanced designations, or even any education beyond the financial products that their wholesalers are promoting. Even more confusing are the many financial publications that are critical of brokers on one page and supportive of their efforts on the next. And with so many conflicting messages in today's financial marketplace, it is easy to understand just why investors ask themselves this question so often.

So why is there such a divergence of opinions on broker's fees? Here's my opinion:

1. No, a broker is not worth the fees they charge.

Too often I see investors who have relatively simple investment objectives but pay a broker for something they could likely do on their own. They do not own a business, they do not have tax planning needs, they have a very simple investment philosophy, they have time to perform their own due diligence, and they have a solid grip on their investing emotions. So why would this group of investors pay fees for a broker when they could perform most of these tasks by themselves? I call these individuals the do-it-yourself investors. I have personally reviewed many of the investment portfolios for these self-directed people, and more often than not, they are managing their money rather well.

If you are a do-it-yourself investor, congratulations. You are in the minority. Most investors have a difficult time controlling their emotions. Many studies have been performed

reflecting the underperforming on the "would be" do-it-yourself investor who cannot control their emotions. However, if you are a do-it-yourself investor, a broker's fee, in my opinion, is not worth the investment. My only advice might be that you consider retaining a fiduciary to review your investment portfolio every 5-10 years to make certain you are on track to achieving your personal objectives. This could be money well invested.

2. Maybe a broker is worth the fees they charge. There are very few investors who fit the criteria of a do-it-yourself investor. Perhaps your tax liability seems unreasonably high, you are a business owner, you have complex investing needs, you do not have the time to conduct the research needed to act independently, or your investing emotions tend to get the better of you. If you prefer the advice of an expert, then a fee may be a good investment. Make certain that you know exactly what services your broker is offering and what their TOTAL fee is. Remember, almost every investment has some costs involved. These costs may be in the form of a fee, transaction cost, 12b-1, cap, exclusion, management fee, M&E, surrender, etc.

3. Yes, a broker is worth the fees they charge. Many of us are business owners, have complex tax planning needs, wish to maximize our estates, want to reduce debt, and desire to maximize our retirement incomes. The fees charged by a CERTIFIED FINANCIAL PLANNER™ are definitely worth the investment, particularly if your planner offers a comprehensive approach to planning not offered by all planners. This comprehensive approach seeks to establish a relationship with the client where the CFP® will offer many other valuable services for virtually the same fee as the broker who will only assist you in managing your portfolio. These CFPs® will assist you with your cash flow, debt reduction, insurance assessment, estate plan, and other financial areas – all as part of the scope of the work they perform for you.

As entrepreneurs, our businesses are often the single largest investment of resources we



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are likely to make in our lifetimes. Doesn't it just make good sense to consult with an advisor who will structure their fees to include the comprehensive approach you deserve to maximize your potential for you, your family, and your business to your specific goals, needs, and plans? And while the cost of investing is an important consideration, what might be even more important are the net results of your investing experience.

Please contact me with any investment related questions you may have. You can find us at www.heritageinvestor.com. We are also on social media, and our blog is www.planningisfun.com.



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