

Value for Money Investing by Gordon Stockman, CA, CFP
People and Risk.



Value for Money Investing means to achieve risk appropriate investment outcomes in a continuous and sustainable way at a fair and equitable price. More simply, achieve good investment returns AND receive fair value for the services provided. Your well being should be improved net of all advisory costs.

I am about to bare a truth about financial planning, so get comfortable, open your mind and here we go. **FINANCIAL PLANNERS DO NOT MANAGE MONEY.**

There, I said it. So what the heck do we do to earn all those fees you keep paying? Doesn't your planner always impress you with their knowledge of the "best" mutual funds? Doesn't he or she, talk to you about the economy, interest rates, inflation and the stock market? Isn't it routine to discuss your asset allocation, geographical allocation and the importance of diversification? Isn't that all about managing your money?

Well actually, no! The significant truth is that it is all about managing you. Good financial planners manage people and their risks, not the money. Financial planners help you look at your financial goals to optimize your plan for retirement, save for your children's college or university education, estate planning, protect assets from litigation, make sure your insurance is covered and diversify your financial portfolio. Without question all very important items. So important in fact that many of us know how much money it will take to accomplish many of them. But people tend to severely underestimate the time required to accumulate and grow the required savings. Your planner's first role is to motivate you now and get you moving so you do not fail at all or some of the goals. They are trying to get you to do something that is natural to postpone.

Later on, as your savings and investments grow, new emotions take over. The most dominant ones being fear and greed. Fear that you will lose what you have built so far and the greed for even more. Your financial planner must sooth your fears and not feed your greed. Let fear control you and you seek extreme safety that causes your savings to not even keep up with inflation.

Let greed control you and your savings can be destroyed in no time. Even worse most individuals switch between fear and greed on a moment's notice based on current news.

Being driven constantly by either fear OR greed is still better than succumbing to the desire to switch between them based on the immediate past history. Your advisor's importance stems from their position as an outsider that allows them to be uninfluenced by your fear and greed.

Have you ever found yourself wondering, why your advisor just spent 20 minutes explaining why stocks will always grow over the long term more than bonds? You are sure they are about to suggest even more equities and then they follow up by suggesting a portfolio that includes some bonds. The idea is sold to you based on it "reduces your risk". What is that about? If you can make higher returns in equities (and have the time to wait) why do you want bonds that will only lower your returns? Well your planner is concerned about managing your fear and greed. It is folly to seek the returns offered by equities unless you are willing to see them through on their toughest days. Fortunes are lost seeking high returns only to be scared silly by falling equity prices and selling out after the damage is done. Your financial planner is trying to find that sweet spot where your blended returns overall will be as high as possible but bad times will be muted enough to keep you invested and your fear at bay. Greed will lead you to a portfolio that may not be stomached on the worst of days.

One of my cautions to investors is about working with a money manager or an investment advisor without a financial planner involved. Money managers are managing your money not you. You have asked them to make you as much as they can given a simplified risk profile and they do just that. However, without the client management tools in place built through the financial planning process, they are often ill-equipped to help you through the tough days. They cannot help you control the fear (or the greed) and you over react to both up and down markets continually making bad decisions along the way. They are doing exactly as asked, are being successful at growing your investments and yet unable to help you in not destroying your wealth with poor decisions because they do not have the tools.

In short, financial planners cannot control the stock markets, interest rates, currency exchange rates or the supply/demand of commodities. We do not know which stocks will go up or which ones will go down. We can however help you control your emotions allowing good, sound decisions based on a long term outlook and keep you motivated and focused on what really matters; meeting your goals.



We endeavour to provide unbiased, independent superior financial planning and wealth management services, on a fee only basis.

Efficient Wealth Management is a leader in cost efficient financial planning. We have developed cost efficient strategies for managing the wealth of investors, both small and large.

COSTS DO MATTER

Look at the chart and determine how much more you could keep in your pocket after a 20-year period, if you could reduce the overall fees in your portfolio by just 1%

START VALUE	RETURN OF %7	RETURN OF %8	YOUR SAVINGS
\$100,000	\$386,000	\$466,000	\$80,000
\$250,000	\$967,000	\$1,165,000	\$198,000
\$700,000	\$2,700,000	\$3,262,000	\$562,000

Call us. We Can Help!

Efficient Wealth Management Inc.

169 Lakeshore Road East, Port Credit
 (416) 410-9809 www.efficientwealth.com



Gordon Stockman, CA, CFP

Gordon is the Vice President – Financial Planning at Efficient Wealth Management Inc. a leader in cost efficient financial planning. He teaches at George Brown College in their Financial Services and Accounting area. He is also a frequent guest on television and has written numerous articles on investing and financial planning.