

# Fake Financial Advice

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*[Editor's Note: This is a guest post from Steven Podnos, MD, MBA, CFP®, the principal of Wealth Care LLC which provides fee-only financial planning and asset management to physician families nationwide. He also practices medicine as a Flight Surgeon and Critical Care physician in the US Air Force Reserve. We have no financial relationship.]*

It seems that everyone has a financial “advisor,” even if some of them are now online robo-advisors. What everyone is missing is that the advice (if any good) is limited to a portfolio asset allocation.

If the advisor is a robotic online program, you get a varying set of exchange-traded funds that are periodically rebalanced (whether or not that is the most advantageous system is somewhat controversial). If the “advisor” is a stockbroker (regardless of what their nameplate says), then you get a much more expensive asset allocation, often containing “investments” that pay the broker and their employer to be sold. If you have an insurance agent as an “advisor”, then you get sold some variant of whole life insurance regardless of your real needs.

What’s missing from these “advisors” that provide the vast majority of financial services in this country? One word— advice!

Financial advice on investing is perhaps the least valuable function of a true advisor. Here’s what you need to know: save enough, invest in a broadly diversified portfolio with mostly stocks (except for rare circumstances), and stay disciplined. An advisor can help with all of this, but again, that’s the simple stuff.

True financial advice is much more complicated. It involves an assessment of and recommendations for many aspects of your financial lives. Here’s just a few:

## Real Financial Advice

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### 1. Asset Protection

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Do you have knowledge of how asset protection works in your state? Are your home and other assets titled in the most advantageous way? Are you taking unnecessary risks (sharing a jetski, having your name on an adult child’s car, etc.)? Do you have enough liability insurance?

### 2. Estate Planning

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Do you have any documents? Are they current? Do you understand them? If you are leaving money to your children, is it either controlled or (asset) protected properly in your documents? Do you understand the tax law on portability and other ways to avoid estate taxes? Do you understand gift tax laws while you are alive? Have you thought out whether or not the trustees you pick can do the job?

### 3. Retirement Planning

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How much money do you need to save now in order to retire with the lifestyle you seek? How long do you have to work? What are the risks to not achieving your goals (inflation, health issues, tax changes, investment returns and more), and how can you mitigate them? Are your retirement savings protected from creditors (every state has different rules on some types of retirement accounts)?

### 4. Tax Planning

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Are you optimizing your pretax contributions to retirement plans? And do you have the right types of retirement plan(s)? Are you maximizing allowable deductions? Do you have the right business structure (for example, using an S corporation to reduce Medicare taxes)? Do you understand how your taxes will look in retirement? Should you be considering a Roth IRA, a Roth 401k, and/or Roth conversions?

### 5. Educational Planning

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How much money will you need to provide an education for your children? Are the schools you are considering “worth it”? What financial aid might be available? What are the best methods of saving for educational costs?

### 6. Insurance Planning

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Do you have enough life insurance? Too much? Is it the right type? What will happen to your policies in the future? Do you have enough disability insurance? Can you financially survive not working for a lifetime? Is there enough to provide for funds after age 65 (when most policies stop paying), and to cover educational expenses for young children? Do you understand the riders on your policy? Have you considered long-term care insurance, with all the pluses and minuses involved in it? How much



Steven Podnos, MD, MBA, CFP

would it cost? Is your property/casualty insurance appropriate for your holdings? Do you have enough liability coverage (see asset protection)? Do you have optimal health insurance for your needs? Should you have a Health Savings Account? Have you anticipated the possible costs of health care in retirement?

Think about who your “advisor” is (especially if you are your own advisor). Have you covered these topics? If not, why not? If you can’t answer the questions raised in this article, you need help. A low-cost option to get help would be Vanguard’s personal advisory service, which costs about 0.3% a year. Getting personal advice will run about 1% a year with a fee-only financial planner (find these Fiduciaries at [Napfa.com](http://Napfa.com)) on amounts of around 1 million dollars of assets managed. But blended fees drop in almost all cases towards Vanguard’s costs as you accumulate wealth. You can also find fee-only hourly planning advice without asset management at the Napfa site and with Google.

*What do you think? What would you add to the list of “real” financial advice? Have you tried a fee-only advisor or Vanguard’s personal advisory service? What was your experience? Comment below!*

