

Buena Vista Investment Management, LLC

Creative Investment Solutions

MANAGING YOUR RETIREMENT PORTFOLIO YOURSELF VERSUS HIRING A FINANCIAL ADVISOR

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December 2011

These days there are many options, other than hiring an advisor, to find help in managing your investments. Money magazine recently wrote about finding investment guidance online. They point out that Morningstar's Asset Allocator tool will show you the risk and return potential for different mixes of stocks and bonds. Additionally, you can pick specific investments using Morningstar's Fund Screener or MONEY 70 list of recommended funds. With this Do-It-Yourself approach, the money you would have paid an adviser is yours to keep.

The problem is, if you screw up, you can end up losing a lot more than you might save. In a recent study, benefit consultant Aon Hewitt and advice firm Financial Engines looked at 401k returns from 2006 to 2010. The findings: The median annual return of those who got professional help was almost 3% higher than the return for those who invested on their own, even after the cost of fees.

According to Money magazine, common mistakes DIY investors make are being too aggressive or too conservative. Another mistake people make is cashing out of stocks when they are down, and therefore missing out on returns when the market rebounds.

In general, investment advisory fees range from .8% to 1.25% of assets. Potentially better investment returns isn't the only reason to seek advice. Saving for your retirement during your working years is only half the equation. Turning your savings into a reliable income stream at retirement is also a critical part of the equation. A report by MetLife found that 40% of pre-retirees believe they can spend 7% or more per year without depleting their nest egg. Most advisers consider 4 – 5 % as a safe withdrawal rate. Additionally, there are significant challenges to designing a portfolio that will provide a steady income stream of even 5%, especially in today's low interest rate environment.

Each individual needs to make their own decision on whether or not to seek the advice of a financial adviser. However, avoiding using a financial advisor simply to save money may turn out to be penny-wise and pound foolish. As you near retirement or reach retirement, hiring an adviser may be an especially wise decision.