PRO VS. SOLO INVESTING

There are two types of investors: those who self-manage their money and those who work with a financial professional. In this article, we compare and contrast the options.

Imagine yourself ten years from today, feeling confident about your financial trajectory. Your retirement accounts are on track and you can think a little bit less about stock market volatility and interest rates. To get there, you can self-manage your investments or you can bring in a financial advisor to help with the process. But which is the right path for you?

Like most things in the world of finance, the answer depends a lot on who you are and how you like to work. Keep reading to get our thoughts on why hiring an advisor may be the right fit.

ASSET MANAGEMENT: *MORE CHOICES*

Most self-managed investors use exchanged traded funds (ETFs) or target-date mutual funds to manage their money. This is called "index investing" because the goal is to capture the returns of a broad market index like the S&P 500 or Dow Jones Industrial Average each year.

This can be a great strategy, but many investors don't understand how many options they have when it comes to building a retirement portfolio. And the one your co-workers are using may not be the optimal solution for you. The "investable universe" is massive today and working with an advisor can help ensure that the ETFs, funds, and individual stocks within your portfolio are truly aligned with your long-term financial goals. That brings us to our next point.

FINANCIAL PLANNING: *TRULY CUSTOMIZED SOLUTIONS*

Unfortunately, many self-managed investors use "investment rules of thumb" or automated platforms to manage their financial future. While things like the "4% rule of retirement" and "cash flow buckets" can be helpful, we think a more customized approach is needed.

When you work with an advisor, you can gain the insight and perspective of a professional who has spent years advising clients just like you. This is someone who should understand your current financial situation, understand where you'd like to go, and - most importantly - understand the solutions and strategies that can get you there.

DECISION-MAKING:
MANAGING THE EMOTIONAL SIDE OF INVESTING

We all like to think that we are rational creatures making educated, unbiased decisions. But research has shown that is simply not the case. Just consider the following data points that highlight how investor emotions are impacting decision-making.

- In 2018, the S&P 500 traded down -4.38%. The average investor lost -9.42%.[1]
- In the 20-year period ending December 31, 2017, the S&P 500 had an annual average return of +7.20%. The average equity fund investor had an annual average return of +5.29%.[2]
- Research from Vanguard shows that a financial advisor adds "about 3%" in annual performance to client portfolios, and roughly 50% of this is from behavioral coaching.[3]

It's often overlooked, but behavioral coaching and emotional management is a big part of what an advisor does for their clients. And in the world of investing - the moves you do not make can be just as important as the moves you do make.

Below are three common mistakes made by investors that are emotionally motivated. How many have you made? Most investors (professionals included) have made all three.

Timing The Market	The Fear Of Missing Out (FOMO)	Focusing On Returns
You read a market headline or a friend tells you about a "hot" stock. You feel that you have an edge on the market, so you add the position to your portfolio expecting it to move higher - only to see it sell off. Conversely, you are worried that the stock market is getting a bit "toppy" and decide to sell, only to see the market march higher.	Bitcoin, Apple, and dot com stocks in the late 1990s all have been sources of market FOMO. You see other people investing in a winning stock and you'd like to join the party. The problem is, by the time a stock is "hot" and FOMO has set in… the initial appreciation has likely passed.	Let's look back at the data shared previously - where the S&P 500 traded down -4.38% in 2018. Is this cause for concern? If your financial plan is still on track considering gains during the last decade... the answer is no. An advisor helps clients focus on the long game of financial planning and puts less emphasis on annual fluctuations.

1 DALBAR, Average Investor Blown Away By Market Turmoil In 2018

2 DALBAR, 2018 QAIB Report

3 Vanguard, Quantifying Your Value To Your Clients

LIFE CHANGES: *HANDLING TRANSITIONAL MOMENTS*

It's especially important to consider working with an advisor during key transitional moments in life. These moments in life can have large financial implications and addressing the changes as they occur can set you up for greater success later on.

First Job

You've finally landed your first high-earning job. Now, how do you handle that money responsibly? At this point, saving for something that feels far away, like retirement, may not be at the forefront of your mind. An advisor can help you define long-term goals and start working toward them.

A Child Entering, Or Leaving, The Nest

The birth of a child and having a child leave home may feel like opposite events, but both involve a change in the status of your household. Both also offer opportunities to reflect on your child's future and the financial role you will play. Consider working with an advisor to make sure your financial plan addresses the new "head count" in your household.

Retirement

Retirement can be a thrilling and exciting time as you begin a new chapter of your life. It can also be a bit unnerving. Working with a financial advisor can ensure that you are on the right track and bring peace of mind to this new phase of life.

Inheritance

Inheriting assets, whether expected or not, has many financial implications. Adding to the difficulty and complexity surrounding inherited assets is the high likelihood of emotional stress due to the loss of a loved one. A financial advisor can provide much-needed support during a very challenging time.

Transitional moments in life can have large financial implications. Addressing these changes as they occur can set you up for greater success later on.

IS IT WORTH HIRING A FINANCIAL ADVISOR?

If you have the time, knowledge, background, interest, and emotional discipline to manage your own investments, self-managing your assets may be the right fit. If you'd like to explore bringing in professional guidance to streamline the process and provide peace of mind, we invite you to connect with our team.