

Talk of the Town

What the heck is a financial planner anyway? And is yours right for you?



James D. Stillman

Looks like fall is in the air and before you know it there will be “frost on the pumpkin”! I have to confess that I love this time of year for the weather and beauty of North Carolina. The only bad part is that it’s time to pull the boat out and wait until spring to enjoy beautiful Lake Norman again. Anyway, let’s get on to this month’s topic. Have you ever been confused about all the different kinds of “financial advisors” and what they actually do? If there’s one thing I’ve learned over the last twenty years in the financial services profession, it’s that things can get really confusing for consumers! The financial services business has become highly specialized, like many other professions, and that’s both good and bad.

I’m a big believer in what my grandfather and father taught me over the years growing up in Wisconsin: Don’t be a jack of all trades and master of none. It’s fine to be “good” at a lot of things, but to be a “master” or “expert” (commonly known as a professional) at certain things is desirable, especially when it comes to financial planning, retirement planning, and health care planning. These are serious issues, and many times folks don’t get a “do over” if things get screwed up! So let’s have a brief discussion about different types of people who call themselves “financial planners/advisors”.

Insurance Agents: Insurance agents are licensed to sell various types of insurance products such as health insurance, life insurance, long term care insurance, annuities, home & car insurance, etc. They get paid commissions to do so, and that’s fine. Being a licensed Life & Health, and Medicare & Long Term Care agent myself, I can tell you there is no way any insurance agent can be a “master” at all of them (in my opinion)! Most agents will focus on a particular part of the insurance market and become as skilled as possible at that segment, and I personally think that’s a good thing. Having a good insurance agent is vital when it comes to retirement & estate planning for your “safe dollars” and “legacy planning”.

But there’s a word of caution I must point out: If your insurance agent is not securities licensed, then they are not legally supposed to discuss securities/investments or move securities into insurance products, even if the insurance product (such as a fixed annuity) might be the best thing for you. Regulators have become increasingly aware of this and have been cracking down on insurance agents giving “investment advice” when they are not properly licensed and registered to do so. So, be careful of what advice you get from your “insurance licensed only” advisor.

Stock Brokers: This might sound simple, but stock brokers sell stocks, bonds,

mutual funds, or any other security their brokerage firm offers. Like insurance agents, typically they get paid a commission to do so, and again that’s fine. We’re all entitled to get paid for providing a service. But does that make your stock broker a financial planner? Let’s just say, not always. Are they registered to give and charge for investment advice? Again, not always. In my opinion, stock brokers fall into the “accumulation phase” of your life. Their job is to grow your portfolio, and that requires more risk. That’s fine when you’re younger and have time on your side to deal with the ups and downs of the market, but maybe not so much when you’re older – in my opinion anyway.

Registered Investment Advisors: RIAs are registered to give investment advice and charge a fee for their services. Many RIAs are “fee-only” advisors, but many are both insurance licensed and securities licensed (we are dual-licensed at JDS Wealth Management). RIAs have a fiduciary standard that they must adhere to, which means that the client’s interests must be put first. A lot of other types of advisors are only held to a suitability standard, which simply means that the things they recommend must be “suitable” for you and not necessarily the best thing for you. In my opinion, dual-licensed independent RIAs offer the best non-biased advice when it comes to virtually any kind of planning. At our firm, we are dual licensed, so we get paid in various ways depending on whether we’re using insurance products or securities products. So, you get the best of both worlds, so to speak.

So, ask questions and know who you’re dealing with when it comes to your finances.

Until next month,

James D. Stillman

Social Security Decisions

Thursday November 5th & Tuesday November 10th
(Check-In at 5:30pm, Doors Close at 6:00pm)



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(704) 660-0214
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119-F Poplar Pointe Drive
Mooresville, NC 28117

