

Misplaced loyalty can endanger retirement goals

By Len Hayduchok • August 11, 2022

Financial effectiveness should be the singular objective for a client when working with a financial advisor. However, there are a surprising number of individuals who choose not to prioritize their financial health in retirement planning. Misplaced loyalty trips up many, causing retirees to shift their focus from the most important measures of a client/advisor relationship – the planning effectiveness, and the performance of the financial strategies and instruments put in place to meet the client's needs.

Let's consider some patterns through typical examples. One retiree couple meets with an advisor to review the plan they have in place. For the past decade or so, they have been wondering why their pension was being reduced by their 401k contribution, but they could not figure out how to calculate whether they should contribute or not. The advisor quickly reviewed the numbers and showed them the proper calculations. It was clear that help in a fiduciary capacity was available, but this couple decided to keep doing everything alone. This pattern of behavior is one where individuals and couples struggle to make changes, even when they can see the benefits.

Another couple meeting with a potential advisor to review their financial plan found their long-term plan only covered up until the time of the husband's passing, leaving woefully inadequate funds thereafter to support the wife. Although this fixable predicament could be well addressed with clear, strategic steps, the couple declined to change.



When seniors shift certain objectives into a place of priority, they can unwittingly endanger the health of their retirement plan. Some feel bound to maintain long-term relationships with financial advisors who may be ineffective, just for the sake of camaraderie; some choose to believe they

are more savvy or knowledgeable than they really are, and some may continue to handle their own finances through fear of facing their own errors. Others may be funding the irresponsible financial habits of their children through misguided efforts to help them out.

Retirees need to be confident that their advisor will increase the likelihood that they will maximize financial success. However, it may be challenging to know if the advisor is actually doing a good job, since many seniors might not have a sufficient understanding of finances or an informed expectation of the services they should be receiving.

Now, let's consider some key points that seniors should expect their financial advisor to keep in mind. First, the advisor should know the client's financial objectives – what the retiree wants their money to do for them. Second, the advisor should know the retiree's financial resources and their financial understanding, including limitations and preferences. Third, the advisor must structure the client's finances to meet their objectives efficiently and effectively. Finally, the advisor must continue the work by communicating and reviewing the plan regularly, making modifications as needed.



Although a personal relationship between client and advisor is desirable, there is a possible drawback – it could come to overshadow the foundation of the relationship: good financial results. Keep in mind that a financial advisor is engaged to provide a service and work on the retiree's behalf – but not all financial advisors are equally skilled and experienced in the

many components of financial planning to be able to deliver equal results. Two advisable requirements to look for when choosing a financial advisor are a thorough understanding of the professional fiduciary obligation to act in the client's best interest, and credentials such as being a Certified Financial Planner or having a comparable professional designation.

Len Hayduchok is the founder of The Delaware Retiree Connection, and the director and owner of Dedicated Financial Services. As a fiduciary and Certified Financial Planner, he offers his wealth of experience to guide others through the mire of financial and retirement planning. As a Certified Life Coach, he pairs his financial expertise with a heart to help others who want to make the most of their retirement plan. Investment Advisory services offered through SGL Financial LLC.

<https://www.capec Gazette.com/article/misplaced-loyalty-can-endanger-retirement-goals/244085>