

An Auto-Industry Legend's Lesson for Investors

Written by Rob Copeland

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Lee Iacocca, who revived the Chrysler Corporation in the 1980s, had a simple explanation for his success: "I hire people brighter than me and then I get out of their way."

That's the way investors should look at financial advisors. Seeking out guidance from a smart and knowledgeable financial expert can help you be significantly more successful than you would be on your own.

The trick is to determine which advisors are likely to be completely on your side and which are more interested in their own success. Most people who call themselves advisors are technically brokers. Brokers are salespeople, who earn commissions every time their customers buy an investment. They are regulated not by the government but rather by their own industry group, the Financial Industry Regulatory Authority, or FINRA.

True advisors are known as Registered Investment Advisors (RIAs), and they are regulated by the Securities and Exchange Commission or by regulators in their home states. Advisors are not salespeople: They generally earn a set fee based on the amount of assets they manage for a client. And they are legally bound to put their clients' interests ahead of their own. Brokers are held to a weaker standard of client care, and too often are driven by commissions than by a desire to help you succeed.

Because of this, RIAs are the best choice for most investors. But they're not necessarily a good fit for all investors. To benefit from working with an advisor, you need to trust his or her professional guidance. Ultimately you are in control of your money, and there will be times you don't quite agree with a piece of advice. But continual second-guessing can make your relationship with an advisor ineffective. When two people try to steer at the same time, it never ends well.

The kind of clients who push their advisors around are typically folks who prefer to be in control in general. There's nothing wrong with that, but it may indicate that you're not cut out to work with an RIA. If you need to grab the wheel, it may actually make more sense for you to work with a broker. Brokers can give you information and advice that you can use or not, and then they will execute trades according to your wishes. You'll pay commissions for the trades, of course, but if you're a hands-on type, that arrangement can make sense. My advice is to clearly communicate your personality and your needs to your financial professional so that he or she

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can get out of the way and let you drive.

Most non-experts don't do a great job at investing their own money; they lack an advisor's discipline, expertise and objective distance. That's why using an advisor makes sense. And if you want to be more certain that your advisor is on your side, choose a Registered Investment Advisor. Then take a cue from Lee Iacocca and let that person use their superior knowledge to help you reach your goals.