



TOP 10 MISTAKES MADE BY FINANCIAL PLANNERS

William Paterson University

March 5, 2010



Live life *fully.*
Manage wealth *wisely.*



TODAY'S AGENDA

- I. Mark Germain, CFP™, MBA
- II. Beacon Wealth Management
- III. Top 10 Mistakes Made by Financial Planners
- IV. Q & A Session



MARK GERMAIN, CFP™, MBA



Mark Germain, CFP™, MBA

- Founder & CEO Beacon Wealth Management
- \$300 million Assets Under Management
- Big 8 Consultant
- 35 Years Financial Experience
- CFO International Software Firm
- MBA Northeastern University
- Accounting Professor Northeastern University
- Current Adjunct Fairleigh Dickinson University



BEACON PROVIDES

Time to get on with the things you like to do.

- Guidance in defining clear, achievable targets
- Creation and maintenance of an electronic database of all family files and history
- Dynamic integration with trusted advisors to allow you to spend less time on financial details and more time on what is important to you
- Tax efficient investment solutions
- A strategic plan as a road map to your desired results



BEACON BREAKS WALL ST MODEL

Beacon Wealth Management

- Fee-based on value provided to client
- Asset allocation based on current macro view
- Investment management based on client-centric goals
- Focus on tax efficiency to net higher client return
- Negotiate fees with managers and brokerage

Historic Wall Street Approach

- Fees, commissions, loads and costs per trade and spreads
- Asset allocation based on historical models
- Gather assets with goal of maximizing firm revenue
- Tax impact is not factored into typical approach
- Additional management fees increase profits for the firm

FIRST STEP – CREATING A PLAN



Our team believes a global plan guides each area of wealth management. The plan is the “hub”. The spokes are the ongoing components of the plan. Our first step is to create “The Plan.”



BEACON'S TOP 10 LIST





MISTAKE #10 – SLOPPY REPORTING

Mistake #10:

Your financial planner loses that special report!





LESSON #10: CAREFUL REPORTING

Reporting

- Determine what, when, and how you report
- TWR or IRR
- Since inception or period to period
- DO NOT create one off reports you cannot reproduce!
- GIPS standards or not
- Aggregation or not??



MISTAKE #9 – No E&O INSURANCE

Mistake #9:

You as a financial planner discover you do not have Errors & Omissions Insurance when you receive a claim.

**E & O =
PROFESSIONAL LIABILITY
PROTECTION**



LESSON #9: E&O INSURANCE

- Highly regulated as advisors
- People want someone to blame for 2008
- Court or Arbitration must contract for it
- Document...Document...Document...
As in Error #10 (No special report)



MISTAKE #8 – COMMISSIONS ARE TOO HIGH

Mistake #8:
Their commissions
are way too high!





LESSON #8: DON'T BE GREEDY

How do you get paid?

- Know how and disclose it
- Eliminate conflicts of interest
 - Commission and fee
 - Proprietary product
- Do you make more than your clients make on their investment?
- Where do you invest differently?



MISTAKE #7 – CLIENT FINANCED LOANS


Mistake #7: Client gave you a loan and the check bounced.





LESSON #7: ASSETS ARE MUTUALLY EXCLUSIVE

1. You **cannot** borrow from a client.
2. **No commingling** assets under any circumstances!
3. You cannot be a **lender** or a **borrower with a client**.



MISTAKE #6 – IMPROPER ALLOCATION

Mistake #6:

The high-growth client finally noticed he is in bonds!





LESSON #6: PROPER RISK ASSESSMENT

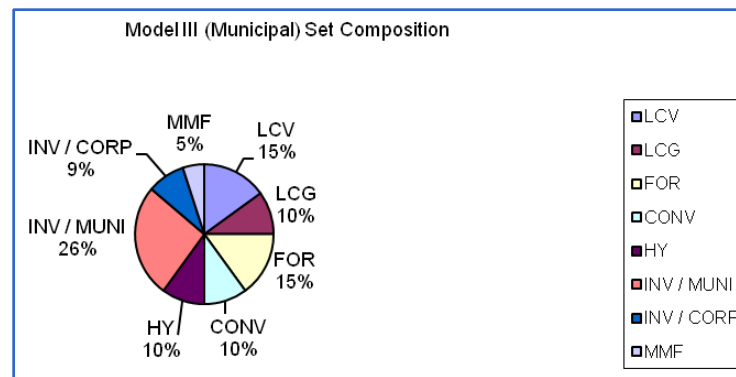
Portfolio Models

- Not a right or a wrong strategy
- Key is to document models
- Set a standard for comparison
- Growth might be bonds – but all must be in!

PORTFOLIO MODEL

Asset Allocation and Management Services Model III (Municipal) Set Composition

Model Number Equity/Fixed Income Mix	III 40/60	Municipal	Historical Returns						
			Asset Categories	Symbol	Comparative Index	% Weight	Ret 3 Months	Ret YTD*	Ret 1 Yr*
Large Cap Value Stocks	LCV	S&P 500/Citigroup Value	15%	-1.44%	-0.52%	-0.49%	1.44%	2.22%	0.96%
Large Cap Growth Stocks	LCG	S&P 500/Citigroup Growth	10%	-1.14%	-0.84%	-0.13%	0.50%	0.94%	0.32%
Foreign Stocks	FOR	MSCI EAFE Value Index	15%	-2.32%	-1.39%	-0.59%	2.05%	3.34%	-
Convertibles	CONV	Lehman Brothers Aggregate Bond	10%	0.38%	0.17%	0.88%	0.49%	0.48%	0.60%
High Yield Bonds	HY	Lehman U.S. Corporate High Yield Index	10%	-0.32%	-0.13%	-5.90%	0.50%	0.99%	0.52%
Investment Grade Bonds - Municipals	INV / MUNI	Lehman Brothers Municipals	26%	0.57%	0.33%	1.30%	1.06%	1.21%	1.37%
Investment Grade Bonds - Corporate	INV / CORP	Lehman Brothers Aggregate Bond	9%	0.33%	0.15%	0.77%	0.43%	0.42%	0.53%
Money Market	MMF	Federal Funds Rate	5%	0.06%	1.05%	0.22%	0.22%	0.16%	0.19%
Total			100%	-3.88%	-1.19%	-3.94%	6.69%	9.75%	4.47%





MISTAKE #5 – DO NOT KNOW CLIENT OBJECTIVES



Mistake #5:
The financial planner doesn't
have a clue on client
objectives.



LESSON #5: KNOW YOUR CLIENT!

Know Your Client

- Donna gets an upset stomach with a Beta over .5
- What are the time lines?
- When and how much?
 - Retire
 - Education
 - Cash Flow



MISTAKE #4 – TOO MUCH GOLF

Mistake #4: While on the 18th tee you remember the tax class.





LESSON #4: CONTINUING ED IS CRITICAL

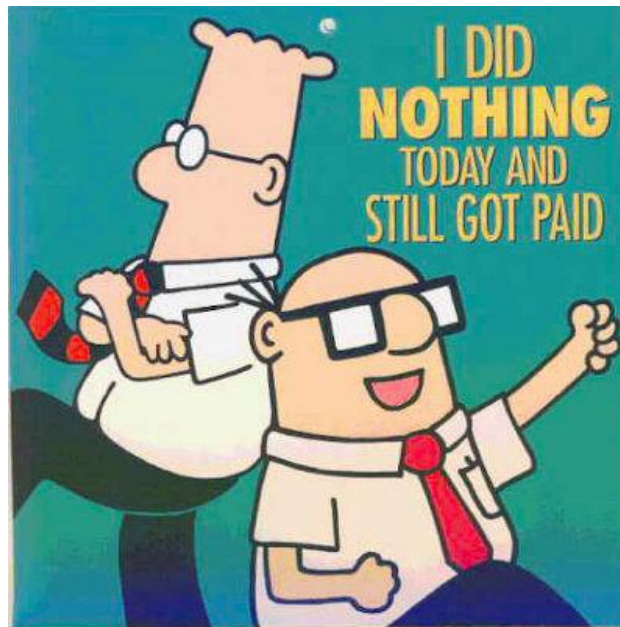
Knowledge vs Golf Game

- Fiduciary vs Commission
- You must stay contemporary
- Continuing education is critical
- Know what client will ask before they ask
- Create an ongoing training log



MISTAKE #3 – GETTING PAID FOR DOING NOTHING

Mistake #3: The client asks why they are writing a check?



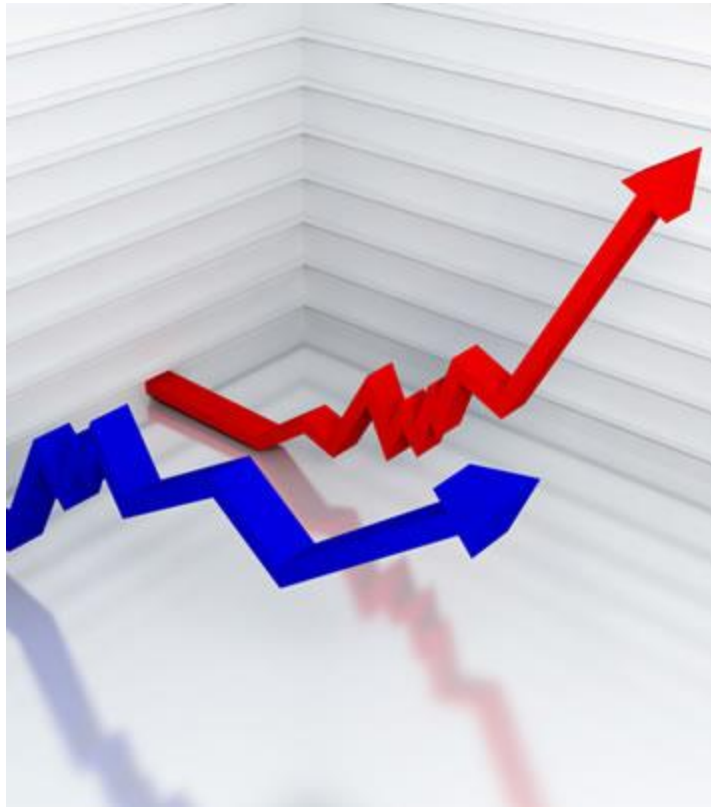


LESSON #3: ESTABLISH VALUE

Establish Value

- Establish value before you ask for money
- Client needs to understand *what* you will do and *how* you will do it
- Don't open an investment account first

MISTAKE #2 – GUARANTEED RETURNS




Mistake #2:
Your financial planner
just gave you a
guarantee on your
investment portfolio!



LESSON #2: NO GUARANTEES

Returns Guaranteed Only By Federal Government

- History no guarantee of performance
- Not even a warranty
- Not even “I hope I will do what I did before”



MISTAKE #1 – TALKING TOO MUCH

Mistake #1: They talk too much!

Blah
Blah
Blah



Blah



LESSON # 1 : LISTEN.

If You **Listen** They Will Come!

- We have 2 ears and 1 mouth
- Open-ended questions
 - What is driving them to talk?
 - Figure out what is going on
 - Identify X Factor – sensitive spots
 - Less time talking, more time listening!!!



10 LESSONS TO TAKE AWAY

1. Listen!!!
2. Make No Guarantees
3. Establish Value
4. Continuing Education
5. Know Your Client
6. Proper Risk Assessment
7. Assets Mutually Exclusive
8. Don't Be Greedy
9. E & O Insurance
10. Careful Reporting



YOUR QUESTIONS PLEASE





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Thank you for your participation!



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