Three Questions You Should Never Ask a Financial Advisor **– by John Augenblick**

I've long realized that when someone casually meets a financial advisor they nearly always ask one of three questions:

What are your favorite stocks or funds? What do you think the markets going to do? What do you think interest rates are going to do?

At first I really didn't think these questions had too much significance, but upon reflection, I think they reveal a lot about the public perception of financial advisors. I think it's pretty clear that a significant portion of the public views financial advisors as forecasters of some nature. They think that the role of an advisor is to predict future events and position their assets to take advantage of this superior intuition. Many think a shrewd advisor will move their assets to the technology sector ahead of a big boom, or perhaps, wisely sell their stocks ahead of a predicted market decline.

Through no fault of their own, the investing public has been conditioned to believe that a successful investment experience necessitates out-guessing the market. I'm certainly not suggesting that the public is unsophisticated. They have simply been bombarded by the financial media seeking ratings using phrases like *looming crisis, positive economic indicators, potential for explosive growth, grossly undervalued*, etc. This type of language would make any investor that takes it seriously think that they need to move their assets around in response to easily forecasted future events.

The irony here is that the best advisors educate their clients so they don't get hurt by trying to make predictions or by emotionally positioning their assets. My responsibility is to make sure my clients ignore the hair-brained forecasts of those trying to make top ratings in the financial media. The truth is that if every report on CNBC or Bloomberg was titled: **Buy & Hold – the Smartest Strategy** they certainly wouldn't have very good ratings (since the truth is boring) and they wouldn't be able to sell any advertising space to big brokerage firms.

I want you to be an ever-vigilant skeptic and keep constantly before you the motivations behind what you read and watch. When notorious author Harry Dent says the Dow is going to hit 40,000 by 2009, it's because he wants to sell books, not because he wants to help you with your portfolio. When noted TV personality Jim Cramer yells and screams on national television about the best place to put your money, its ratings he seeks, not your best interests. When you see "*Seven stocks you have to know for Thursday"* on Yahoo Finance please know that their intent is to generate clicks and sell advertising space, not to help kick-start your portfolio this week.

The simple reality is that you don't have to correctly forecast the future to enjoy investment success. Investment success is not the result of a sequence of well-timed movements. You odds of consistently and correctly out-guessing the market are low, but your odds of generating lots of fees and tax consequences while you try it are very high. Amateurs spend their time rationalizing the legitimacy of market forecasts. Professionals build tax-efficient, risk controlled, low-expense portfolios and work hard to make sure their clients don't pay attention to forecasts made by those whose sole intent is to sell magazines, airtime, or financial products.

John R. Augenblick, CFP® is a founding member of Rockwood Wealth Management, an independent financial planning and investment management firm located in New Hope, PA. He is a member of the National Association of Personal Financial Advisors an organization committed to the development of comprehensive financial planning. John can be reached at 267.983.6400.