



DO YOU NEED A FINANCIAL COACH?

BY ROBERT M. GIGNAC

Of all the questions I am regularly asked at events by investors – this is by far the most common: “Why am I not competent and/or smart enough to handle my own personal finances, make my own decisions, and do this all by myself?” The short answer – “You are!” The long answer – keep reading...

Do you really need a financial coach?

When it comes to personal finance, why wouldn't you consider hiring a coach? Someone who understands financial problems and issues, has seen it before, and can recommend a course of action. All the best athletes on the planet have coaches and personal trainers. Why? Once you have achieved Olympic or World status in your sport – do you still need a coach? Yes and here's why: coaches provide discipline, encouragement, instruction, feedback, teamwork, dedication, and to help athletes maintain their focus. A good financial coach does the same for their clients.

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In an ever changing and innovative financial landscape, regulatory issues, taxation concerns, and the inevitable FOMO (that's Fear of Missing Out if you don't have a teenager living with you...) on the next big investment opportunity changes weekly. Why would you not want someone in your corner helping you navigate an area of your life that – let's be realistic here – you probably don't have a whole lot of passion (or time, or energy, etc) for.

The key component that a financial coach brings to the table for a client is objectivity – helping a client understand not only where

they are today financially – but how to navigate to the future that they desire. Once that is done, their ability to educate and manage a client’s expectations will aid in charting a course of action to build a better and more secure financial future.

How does one hire a good financial coach?

Glad you asked. I don’t believe there is a set answer for this, but here are three questions I would suggest you ask and feel comfortable with the answers you receive before you consider working with anyone.

1) What are your qualifications?

Plenty of people offer financial advice and these range from mutual fund salespeople, stockbrokers, insurance agents, tax accountants, your local bank branch advisors and those who directly call themselves ‘financial coaches.’ Real financial coaching requires experience and a sound technical understanding of not only investment options, but insurance, taxes, estates, wills, and trusts to name a few.

Ask what type of training they have taken and which professional designations they hold. Credentials alone don’t indicate competence, but they demonstrate a commitment to the profession. Common credentials are: CFP - Certified Financial Planner, CLU - Chartered Life Underwriter, CFA - Certified Financial Analyst, and ChFC - Chartered Financial Consultant. For a complete list with descriptions, I will refer you to the Financial Planners Standards Council website at: www.fpsccanada.org.

The financial services sector is known for a relatively high attrition rate. As such, experience is an important consideration. Seniority alone should not be the deciding factor, but working with someone who has experienced ‘bull market euphoria’ and ‘bear market despair’ can help give you the proper perspective in dealing with investor psychology. Helping a client manage their expectations through market cycles (while keeping them focused on the future...) is perhaps one of the most important roles of a financial coach.

2) How do you get paid?

Financial coaches may earn compensation from fees billed to you, commissions from products purchased by you – or a mix of both. Some feel there is an advantage to ‘fee only’ because there is no pressure to sell you anything. Fees can range from an hourly rate for work done, a flat fee to create a financial plan, or a fee based on

the percentage of assets managed. Fee-only coaches may not have any direct motivation to help you implement the plan they helped create. Having a plan and not implementing it is equivalent to having no plan at all.

Good coaches are upfront about their fees and all costs associated with any investment you make. If you don’t understand the fees, ask. Request full disclosure and ensure they provide it. If you still have questions, ask again. If they aren’t prepared to fully disclose and explain their costs - that should bother you. I know it would bother me.

3) How do they handle their non-expert areas?

With the ever changing complexity of the financial industry - I don’t feel a coach can be 100% versed in every aspect of the financial arena - a coach’s business relationships are key. Does the coach have access to good tax specialists, lawyers, business accountants, estate planners, insurance specialists, etc? What is the cost to engage these experts? Sometimes, if you are dealing with a coach in a large integrated firm, this expertise is all housed in one place and it is part of a blended fee.

Hiring a financial coach can be a scary thought for many people. Money matters are often shrouded in emotional issues. You have to be comfortable and willing to share financial information with them. They have to understand your dreams and goals. Discussing that much personal information with a ‘stranger’ can scare people. Don’t be intimidated. Financial coaches aren’t there to pass judgment. They exist to help you attain the goals you want for yourself and your family. You are responsible for your part in the planning process; nobody will care more about your money than you will. Nobody. Peace of mind with the people who are helping you in the process is a great place to start.

Robert Gignac is the owner of “Rich is a State of Mind” providing keynote presentations, client seminars and workshops on personal financial development and motivation. He is the author of the Canadian best seller “Rich is a State of Mind” (18th printing) and the voice of the “Money, Motivation & More” podcast. To book Robert to speak at your next corporate or client event, contact him at: robert@richisastateofmind.com