Why Consider Self-Directed Investment Management?

If you are currently paying an investment advisor, or thinking about hiring one, you might want to consider another option- doing it yourself.

There is a common misconception that people need a professional constantly monitoring their investments. In fact, investors may get better results using a self-directed portfolio management strategy. This is because even the most competent and ethical investment advisors rarely add enough value to justify their high, ongoing fees.

The primary role of an investment advisor is to help you create an asset allocation program, which is a one-time event. Asset allocation, simply defined, is how you choose to invest your funds across different types of investments. The asset allocation decision is one of the most important determinants of long-term investment performance.

The target investment allocations should not change unless your financial situation changes. Although market value fluctuations will alter asset allocations over time, in most situations rebalancing of your investments are needed only once every year.

Another important role for the investment advisor is to select the best mutual fund or exchange traded fund (ETF). If you elect to use index funds and employ a "hands-off" approach to your investments, very little monitoring will be required. Adopting a self-directed approach to investment management does not mean doing it all by yourself; it simply means staying in control of your investments. We are prepared to provide clients with all the assistance they need to manage their own investments, and accomplish this by helping you establish an asset allocation, build a portfolio and monitor performance through subsequent review meetings.

We desire to be supportive of clients who want to pursue a self-directed approach to investment management. We will assist you in creating an asset allocation strategy and portfolio that is consistent with your investment objectives, risk tolerance, and time horizon. We will then help you establish an account with a respected low-cost custodian. Examples would be T.D. Ameritrade, Schwab, Vanguard, or Fidelity. The custodian will establish your portfolio according to your instructions and will provide you with regular statements that will assist you in monitoring the performance of your investments. These reports can be accessed electronically or sent to you by mail. Integrated Financial Planning Solutions will assume modest or significant involvement in assisting you in establishing your account. The choice is yours.

Once your account is established, we recommend you meet with us periodically. It could be as frequently as quarterly, or as infrequently as annually. During these meetings, we will assist you in monitoring the performance of your portfolio, provide you with rebalancing recommendations when appropriate, and recommend investment changes when warranted.

We believe that for many people, a self-directed approach to investing is a much more affordable and fairer way to pay for investment management services.

The investment management business is fraught with conflicts of interest. Most people don't realize that some advisors are bound by the **fiduciary** standard. That means that they must put the client's interests ahead of their own and must disclose how they are compensated and whether they have any conflicts of interest. Others are held to a **suitability** standard, meaning that the products and services only must be deemed "suitable" for the client in question, a lower standard of care that does not include the requirements of fiduciary duty. To confuse matters further, there are some advisors who act in both capacities at different times.

At Integrated Financial Planning Solutions, we believe that individuals should understand how their advisors work on their behalf. Ask them under which standard they operate. Have them explain in detail what that means. If they are subject to the suitability standard, ask them to disclose completely how they are paid and what other products or services they considered recommending to you, and find out whether they will operate under the fiduciary standard when dealing with you. Given these important differences, why not work with an investment professional that has eliminated almost all conflicts of interest?

Occasionally, there are also conflicts of interest that emerge when your investment advisor is paid on a percentage of assets under management basis. For example, if you want to know if you should pay off your mortgage, establish a charitable gift annuity to enhance your retirement income and support your favorite charity or purchase an immediate fixed annuity to guarantee an income stream in retirement for as long as you live, would you expect unbiased advice from the person who is getting paid a percentage of your assets that are under his/her management? While some financial planners can manage these conflicts of interest, many cannot. We believe that an approach that eliminates, not manages, these conflicts of interest is in the best interests of most investors.

In summary, we believe that for many clients a self-directed approach has distinct advantages:

1. You remain in control of your investments and determine the frequency of reviews with us, thus controlling the amount you pay for investment advice.
2. We can advise you on investments that are held inside your 401(k) or 403(b) plan offered through your employer. Keep in mind that it is often in your best interest to maintain your 401(k) plan with a previous employer, as quite frequently the investment options inside employer retirement plans represent lower cost mutual fund shares that you cannot access on your own.
3. Fees are much lower and conflicts of interest are eliminated.

If you are attracted to the concept of a self-directed investment approach, please give us a call to arrange a get-acquainted meeting where we can answer your questions and help you assess whether this approach is right for you.