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7 REASONS DIY INVESTORS SHOULD CONSIDER GETTING A FINANCIAL ADVISOR IN 2024



By: Cheryl Winokur Munk - January 02, 2024

While improving physical health tends to top the list of New Year's resolutions for people in their 40s and 50s, the start of a new year is also an opportune time to focus on getting your financial health in order.

As people age, their financial needs often become more sophisticated, and the tools that may have served them well in their 20s and 30s, such as a robo-advisor or a self-directed online brokerage account, may no longer be the most beneficial.

While many people seek out an advisor as they near retirement, reaching out earlier can be advantageous. Financial pros can be helpful with financial education, planning, and making sure other areas like estate planning and taxes are addressed.

Of course, advisors who work with younger clients have to be willing to wait—sometimes years—for them to amass sizable assets. But by getting a foot in the door early, advisors have an advantage, especially if an inheritance or other money becomes available. Three-quarters of Generation Y and Z investors polled by Fidelity said they are likely to stay with their advisors, and about two in three would like to consolidate more assets with them.

As of year-end 2022, Cerulli estimates the average age of wealth management clients working with a financial advisor was 59.4 years old. That compares with an average age of 51.7 for the average head of household age as defined by the Federal Reserve and U.S. Census Bureau, Cerulli said. Data through the first three quarters of 2023 suggest the average age of an investor using a dedicated advisor had dropped slightly—to 57.7—according to J.D. Power. Clients who are over age 50 represent about three-quarters of advisory clients, and they hold more than 80% of the advised assets, according to Fidelity.

The key to working with investors who may be used to doing things solo is to help them understand the value of working with an advisor—even if it takes a few meetings to cement a relationship, says Jason Werner, founder of Werner Financial in Indianapolis. Not every client in this age group will be a fit, but if they are, they usually engage and stay. "It's a good way to start a working relationship—you take the time upfront and they know why they are

using you," he says.

Here are seven ways advisors can help investors in their 40s and 50s plan and save for their financial future:

Assess where you are. Werner aims to help clients better understand their overall financial picture, which includes how they are growing their savings, where they are investing, if applicable, and how to structure 401(k) allocations in a more ideal way, if necessary.

"A lot of people don't understand how they are invested in their 401(k)," he says. "I've had people think they are really aggressive and they are sitting in a fixed-income account. They have no idea. It's not that common, but it has happened before."

Consider other investing options. Advisors also try to help younger clients understand the various options they have when it comes to investing, tax planning, and other financial choices. Many know where they are today, but they don't have a good sense of their financial potential down the road. "A lot of the advice has to do with where they are and mapping out where they want to be in five, eight, or 10 years," says Judith Lu, chief executive of Blue Zone Wealth Advisors in Los Angeles.

Iron out spousal conflict over spending. Lu offers the recent example of an executive couple in their 40s who had been debating for months about buying a Tesla. The husband wanted it and thought they could afford it, but the wife was concerned they wouldn't also be able to pay for their child's private-school education. Instead of talking about what-ifs, Lu demonstrated to them, using real numbers, that the impact on their finances wouldn't be as big as the wife assumed. They are now the proud Tesla owners, and it's no longer a point of contention, Lu says.

Prepare for possible negative events. Advisors can also help clients ensure important action items don't get overlooked—and result in unwelcome surprises down the road. These must-address items can include wills and trusts, life insurance, disability insurance, college planning, and retirement planning—things people may not have thought about a decade or so earlier.

"Time flies by and people put these things on the back burner," says Lee Wolfe, managing director of Pasadena, Calif.-based KWM Wealth Advisory at Stifel Independent

Advisors. But "the cost of not doing that planning can typically be very expensive. And, of course, peace-of-mind planning is also very important."

Help you work through competing priorities. Many people in this age group are laser-focused on making sure they save enough to educate their children, says Brad Newman, an advisor with the Harrisburg, Pa. office of Pittsburgh-based Fort Pitt Capital Group. But they don't always think about the implications for the future. With these people, it can make sense to have a conversation about whether that's the most appropriate goal for them to be focused on, or whether saving for retirement is a more pressing need, he says. "There are no scholarships, grants, or loans for retirement, whereas there are a lot of options for how you fund college."

Identify additional ways to save. Advisors can help clients in their 40s and 50s find ways to save they may not be aware of. It's an ideal time because "they are starting to have some money built up and they are starting to see the retirement horizon getting closer," says Bryan Bell, a Certified Financial Planner and regional director in the Nashville, Tenn., office of Memphis-based First Horizon Advisors.

Bell recommends that investors in this age group fund their 401(k) at least enough to take advantage of the full company match. Those with additional cash flow should fund the 401(k) up to the government limit, he says. Then, if they still have funds, they may be able to do a backdoor Roth, which lets them convert a traditional IRA into a Roth. If there's still money to set aside, Bell recommends clients build an "opportunity fund" to help them take advantage of opportunities that might come along. This is separate from an emergency fund, he says, and could be used to start a business, buy real estate, or for some other purpose. "Often people get opportunities, but they don't have the capital to capitalize on the opportunity," he says.

Generate a positive outlook. Given the financial challenges many families face, it's easy to get discouraged. Wolfe's advice to people in their 40s and 50s is to think positively, even if they are just getting started planning and investing. "It's not too late," he tells them. "The reality is you can do great things by starting to plan and put money away for retirement in your 40s and 50s. You still have a nice time horizon, but don't put it off any longer. I think it's just about getting started."

Jason is the founder of Werner Financial in Indianapolis, Indiana. He has over 10 years in the industry as a registered investment advisor and holds Series 6, 7, 62, 63, & 65 licenses. Werner Financial aims to be the advisor on your team that helps you achieve all the goals you have set for yourself, your business, and or your family.

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