GIOKAS WEALTH INSIGHTS

The wisdom of now

Assessing Your Advisory Team

Knowing what they do for you is just as important as knowing what they don't do

Provided by Michael Giokas

Savvy people know that doing the same thing over and over can get you the same result. These days it may not be the result one desires. Our ever-changing global economy requires a more proactive approach than ever before. As soon as affairs are left to chance for a few months or a few quarters, it's as if you've stopped while the world kept moving. It's far too easy to miss a chance or a challenge in time to right the course.

Here are some key factors to discuss with your advisors:

Evaluate the underlying costs in your portfolio relative to your returns. In addition to the disclosed fee your advisor charges, there are often unseen costs for specific transactions as well as management fees assessed at the institutional level. These unseen fees can noticeably erode returns. Ask your advisor to share the total internal costs of your portfolio.

Consider the impact of rising taxes as they apply to dividends and capital gains. Discuss effective tax harvesting with your advisor. Pay careful attention to tax triggers that may result from recommended transactions. A buy/sell opportunity may appear attractive yet a resulting tax event can erode the upside.

At some point, we are likely to experience rising interest rates. Since 1980, we've had a bull market in bonds. It's important to evaluate your bond portfolio in light of a potential bear market. Review the quality, location, call provisions and duration embedded in your current portfolio or future choices.

Broaden your perspective on diversification. In the past, owning several hundred equities may have been sufficient. Today it may be prudent to own several thousand. Since we can't predict performance in any sector, owning more sectors may increase the likelihood that you have winners and losers in various areas at any point in time, thereby balancing each other out. Broader diversification can also decrease frequent buy/sell events thereby decreasing transaction costs.

We haven't experienced significant inflation since the 1970s. Talk to your advisor about the potential impact of inflation on your portfolio and any hedge you may need to put in place.

In the municipal world, we are just starting to see risk that we may not have seen previously. With state and local governments having a tough time balancing their budgets, ramifications may trickle through.

Consider what may happen if the dollar erodes in value. If you do not already own international currencies or stocks of companies based outside of the United States, discuss the potential applicability with your advisor.

Estate Tax laws will change January 1, 2011. Future liquidity needs may influence current risk tolerance. Meet with your financial and legal advisors now to prepare in advance.

Remember in today's environment a buy and hold strategy may or may not be as conservative or prudent as in previous times. Every portfolio needs regular proactive attention. After reviewing your portfolio, your advisor may feel no changes are necessary. It's the review itself that can't be overlooked.

As always, please feel free to call regarding this or any planning related questions.