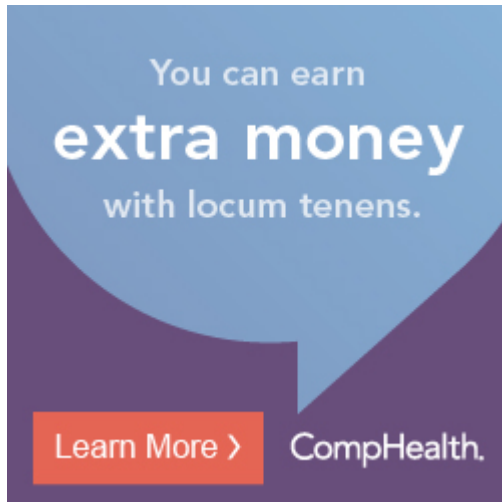


A Glimpse Into A “Financial Advisor’s” Mindset



I had an email exchange recently with a new “financial advisor” which I thought readers would find very enlightening in understanding how most of the industry works. I can’t make this stuff up.

Advisor:

I am just starting to read over your blog, but you have some interesting points mentioned so far. I am a pastor, and system support specialist and have always been interested in personal finance, and wanted to help people. I have been deep into credit card debt, but have since learned to be responsible. My family, on the other hand, doesn’t listen to me and still makes poor choices. I finally decided to do something about it, and I have joined with Primerica. They offer financial services. They are a great company from what I have learned so far.

I am hoping to learn everything I can about finances. I don’t want to be one of the advisers you mentioned. I have learned that no-load/index funds are best, however, most people don’t know how or don’t want to be in charge of their

own investments. The only solution is loaded funds, because they are the only ones Primerica will offer (to pay reps). In my mind it's the same as paying a doctor to take care of a wound instead of breaking out a medical book, and trying to figure it out on your own. There is a fee for others helping. I understand they have connections with a lot of top tier companies, so they should have access to lower fee funds. I'm just getting started, and fixing to get my securities license.

I can add that Primerica isn't just about selling something. They constantly tell us they want to teach people. We teach the difference in cash value policies and term (We don't sell any cash value). We teach people how to invest for retirement, the rule of 72, how to stack debts, etc. We also provide a free financial needs analysis to show people what they need, and then have access to so many options we can provide the solutions as well. I'm excited about the opportunity. I was just hoping to catch some insight from someone who has been involved with bad advisers, and has learned a lot on their own.



The author's children at their recent fashion show

WCI:

Wow! What advice do you give to someone like this? There is a ton of appalling stuff there. Clearly you can see this company likes to hire people who are “just beginning to learn about finance” to be their “advisors.” He doesn’t even have a securities license, but as soon as he does he’ll be selling away. They have duped him into thinking that somehow selling a commissioned product is like being a doctor. He says, they aren’t “just about selling something” even if they mostly are and they’re only interested in teaching in so much as it brings money in the door. That “free financial needs analysis” is used to collect the information needed to sell more products. Look at the rationalization at work– “I know index and no-load mutual funds are best, but isn’t this better than nothing?” So I wrote back:

I had a friend who is a college student consider signing up with Primerica a few months ago. I advised him not to. Selling mutual funds (especially the high ER, loaded funds that Primerica reps sell) is not the same thing as being a financial advisor. I advise you the same. Good luck with your decision of whether to be part of the problem or part of the solution.

“Advisor”:

This was his response:

I have been debating this issue for a while. I have always read No Loads and index funds are the best places to invest. I come to Primerica, and learn they only offer loaded funds. I’ve been back and forth on this, and finally had to come to some conclusions.

For one, the people we come in contact with are most often under-insured, deep in debt, and have no idea what to do. Many have nothing saved yet for retirement, and don’t know

where to start. What is the best course of action for them? If I go through the motions of buy term and invest, debt stack, etc, and provide them everything they need to get out of debt faster, a quality term policy, and at the end tell them "Oh, and call Vanguard for that retirement, Good day!"

What good is that really doing? If they don't call, they would have been better off with a whole life to have at least something at the end. I heard of someone yesterday who bought term, but never invested. Now they don't have insurance OR savings. How many people are willing, or even want to learn how to invest and handle their own finances? Most don't, and that is why they are not. Me telling them to go somewhere else for investments isn't really helping them. How many would actually make that call? The average consumer who needs help, will continue to need help. This is where Primerica can come in. To continue to help. The other conclusion is even if they do start to manage it, how many not knowing what they are doing will get freaked out when the market drops, and pull the money out? That no load fund just cost them big money, because they didn't know what they were doing. Having a financial adviser in the mix will help guard against that. We are not talking half, or even a fourth of their money for fees. Just 1-5%, which can be a lot on a big chunk of money I know. But, then I realized this is no different than going to a financial adviser, and having to pay big money up front to get started. You're losing money no matter what you do out side of learning to do your own, and most just won't do that. Not to mention the ongoing fees the adviser will charge on top of the fees the investment has.



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When you look at the big picture, and you go to a family who is behind on saving (if any at all), and needs major help to know what to do, it's better in my opinion to offer everything right there, and do it for them vs advising them to go elsewhere, which risks them never doing it. Loaded funds are how reps get paid, so I had to just swallow that. I recently sat down with a family with my trainer. This couple is in their mid 40s, two new vehicles on loans, just bought a \$200K, 30yr mortgage, has some other debts, no emergency fund, has about 30k in a very low rate fund with his job, and doesn't have enough insurance to even cover the house. He is retired military working civil service, so he has a good income right now. Before we came along, they were OK with debt and payments. They really didn't care. We showed them how to be out of debt in 13 years, how they could be properly protected until retirement, and how he could have up to \$700K in just 20 years if he would switch funds in his retirement account, and get his 9% match! This with his military would set him for retirement. This blew them away. One of the first comments made was "We could be out of debt faster if we didn't buy that car this weekend." They got it. It clicked. We just completely changed a family's mindset, and they are now looking to be debt-free and retire. When you sit down with someone, and see the change knowing if it wasn't for your help they would retire broke, it's worth a little money in the end. For me losing 50k, and

“only” having 500k instead of 550K after 30 years of investing with a front end load, vs little to no money at all if I didn’t come along and help is worth the trade off. To you, and myself, that seems crazy because we are willing to do our own investments.

95% of this country is retiring broke, or not able to retire at all. In the big picture, we are giving them a future. That to me is worth some compensation. And they will still end up far, far better than just throwing them out there on their own. How many bad choices will they make before realizing the right ones? The end results are the same. This is like going to a doctor to have surgery. Technically you could attempt to do it yourself, but the end result could be devastating. I find it interesting people will fuss about loaded funds, but these same people support the industries that are sticking it to people far worse than that loaded fund. For instance, colleges doesn’t mind you getting 100k in student loans to pay tuition fees that are going up faster than medical, just to get out making 30k a year. Medical (no offense to you, i know you don’t set prices) is another industry that doesn’t mind devastating peoples financial situation. I watched my grandparents get shafted on health insurance, and get stuck with 150k in medical bills for my grandpa’s open heart surgery. Who is doing worse here? A loaded fund or that hospital? They never recovered from that, and died with a lot of that debt still being owed. They ended up living in a small single wide trailer, never able to do anything because they only had SS when they retired. Everything was tied up trying to pay medical. I don’t mean to harp on something that relates to you, but the medical field burns me up. High insurance rates, and then high medical still on top. A loaded fund is the least of their financial issues these days.

I will continue to offer help, get my securities license, and teach families how to make better choices. With everything else going on, me getting paid a fee to help change their life is not a bad thing. Think of how they would end up without what I was able to teach them. They could end up like my grandparents. With nothing.

So what does his argument boil down to? That selling people loaded mutual funds is better than nothing. "These people are so financially clueless, I'm actually helping them to get them some life insurance and some kind of investment." Oh, you're not going to take half their money for fees? How nice of you.

I particularly enjoyed the fact that he thought the choices were either sell them crappy mutual funds, or have them do it themselves. He seems to have zero concept for selling your advice and then giving advice to buy the best possible products. And the part about how [he is like a doctor](#) was especially good fun. Because Primerica can take you from Pastor to Doctor in a week. Then his final justification is "we don't rip people off as bad as colleges and hospitals."

I clearly wasn't going to change his mind, so my final email was very simple:

WCI:

Good luck! Hope you do more good than bad!

What else can you say? He knows the right thing to do, and yet won't do it, all the while justifying it to himself. You'd expect better from someone whose first career option was a pastor. But what do you need to know? You need to know the mindset of that "advisor" sitting across from you trying to sell you this stuff, and this email displays that as well as anything.

What do you think? Is it okay to go to a commissioned salesman

for advice? What about for a “poor person?” What about “just in the beginning?” Is it ever okay? Why or why not? Comment below!