

Mind If I Ask You A Few Questions?



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One of the things I have found is that it is not possible to ask enough questions today. In the financial world, industry jargon sometimes makes it difficult to understand what is really being said by an advertisement, or by people on the radio, television, or at seminars. Here are a couple of examples: *This portfolio exemplifies a low risk and high reward ratio that can be found on the efficient frontier with respect to modern portfolio theory. This portfolio places you in the northwest quadrant obtaining the objective of lower risk and higher return.* Are we having fun yet?

I'm much more concerned with what questions that are not being asked when confronted with all of this information that may be difficult to understand. Below are some questions you might want to ask?

Subject: Annuities

What is the required holding period to get those guarantees? Is my investment 100% liquid? Do you personally own an annuity? When you add all of the fees together to get those guarantees, what is the total percentage I would be paying each year? Do those fees go down with larger

sums of money in that contract? What is your compensation for placing my capital in that annuity contract? What happens to my guarantees if the insurance company goes bust? How are the gains taxed on this non-qualified annuity?

Subject: Planning

What are the six steps of the planning process established by the CERTIFIED FINANCIAL PLANNER™ Board of Standards? What cash flow and liquidity do I have from this investment on an annual basis?

Subject: Service

Who custodies these assets when the funds are invested? How often can I expect to get a statement on my portfolio? How often can I expect to meet with you after I invest to review the results? How does this fit in with my investment plan? How often will you be updating my plan?

I hope that you find these questions helpful in navigating your way through the financial world. Of course the best way to navigate all of this is to establish a relationship with an advisor you trust that can help answer these questions, create your comprehensive plan, and update it on a regular basis. The best part of having a relationship with someone is that you have a sounding board for things you read, hear, or come across and you don't have to go it alone in this sea of change and financial complexity.

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