Who is watching your nest egg?

by Mike Keliher

MANY AMERICANS SPEND LITTLE time thinking about, let alone planning, one of the most important aspects of their future—the *gold* of their golden years. History has demonstrated that to be a dangerous strategy.

In the past century, American citizens underwent remarkable changes in their retirement expectations. At the century's inception, the average American lived day-by-day and, if they made it to retirement, were supported by family members. The average citizen's first taste of investing was in the 1920's and the October 1929 crash ended that era. The Social Security System, created during the Great Depression, introduced the idea that government would take care of retirees.

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Following World War II a new retirement concept—company pensions—gained considerable favor. Another couple decades passed and company pensions began to phase out in favor of IRAs and later 401(k) plans. As a new century dawns, we see many who relied on Social Security and company pensions facing hardship and unfulfilled expectations in their "not-so-golden" years. Further, we are no longer promised sufficient retirement benefits by others and need to chart our own path.

Most of us must rely on financial advisors to assist us in this journey, but, have we once again abdicated our own responsibility to ensure our futures? The investment industry has experienced tremendous growth as a result of the latest retirement concept. There are panoply of advisors, investment alternatives, asset allocation plans, etc. Advertising assures us that if we simply "invest for the long haul" and follow the computer model, not only will our financial future be assured, but we will also enjoy fabulous beach homes, yachts and country club living. All we need to do is send in our money and "they" will take care of us.

If the last century is any guide, it appears that each of us would be smart to monitor how "they" are doing.

There is no easy way to invest, no magic mathematical plan. Instead, history has demonstrated that your financial future will be a dynamic ever-changing world in which you, not your financial advisor, employer or government, will be ultimately responsible for how you live your life.

Each of us is our own board of directors, allocating day-to-day investing responsibility, but needing to be actively involved in major decisions and keeping up to date with where we are and where we are going. As with any board of directors, you must choose outstanding management.

PriceWaterhouseCoopers suggests that people consider the following in an investment advisor:

- The person's experience and credentials
- Compensation
- Approach to investing
- Commitment to you as an individual

In exploring these things with your advisor, you might also ask:

- How do they invest their own money?
- How did they determine the allocation of your money?
- Why is that allocation likely to achieve your goals?
- What does the person do on a regular basis to assess the validity of the assumptions underlying the current investment plan?
- How have they planned for bumps in the road such as a real estate down turn or recession?
- How frequently do they reassess your plan?
- What investigation have they done into the managers of any funds investing your money?

If your advisor doesn't have good answers or relies on "the industry plan", consider how the prior "group plans" have worked out and whether your board needs to look for new management. +

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