

What Should I Expect From My Financial Advisor in a Down Market?

There's an old saying in the financial service industry that financial advisors and financial planners earn their money in down markets when their clients' natural tendencies are to make emotional decisions that damage their financial futures.

Jack Waymire, co-founder of the [Paladin Registry](#) which helps investors identify financial advisors and financial planners and author of ["Who's Watching Your Money?"](#) (ISBN 0471476994, John Wiley & Sons, 2003), said, "This saying is absolutely correct if the professional you are depending on is a real financial advisor. Too many so-called advisors are really sales representatives who are paid commissions to sell you products. Since they aren't paid a fee to help you achieve your goals, they disappear during down markets and reappear when conditions have improved."

Waymire observed, "Real financial advisors and financial planners should be educating you about down markets that occur every few years when excesses negatively impact the economy and company earnings. In the current case, the banking and mortgage industries combined to write an estimated trillion dollars of bad loans that Wall Street converted into securities called Collateralized Debt Obligations. We will be in a down market until this excess has worked its way through the economy and markets."

You should also expect your financial advisor to inject some discipline into your investment process to help you minimize the impact of emotional decision-making. When investors turn fearful, their natural reaction is to start selling investments that are declining in value. Your financial advisor should help you to make rational decisions and avoid emotional decisions that will reduce your future results.

Waymire added, "You should also expect your financial advisor or financial planner to keep you fully informed about the performance of your assets and your exposure to additional down-market risk. The more you know about what's happening to your assets and why, the more comfortable you are going to feel. And, we know from investor surveys that there is a substantial increase in fear when investors are not kept fully informed by readily accessible advisors."

Waymire also said, "You should expect your financial advisor or financial planner to be recommending adjustments to your portfolio. For example, there may be securities you've wanted to sell, but held back due to tax consequences. Or, there are investments you've wanted to buy, but their prices were too high. You may also have existing positions you have wanted to add to when prices were lower. A quality advisor will help you benefit from down markets by positioning your assets for future appreciation."

About Paladin Registry

Founded in 2003, Paladin is an information services company that provides free public services to consumers who use the services of financial advisors and financial planners. The Registry educates consumers about financial professionals and provides ratings and documentation for criteria that impact their competence and ethics. You can learn more about Registry services by going to <http://www.paladinregistry.com>.

About the Author

Learn more about the author

Following is a brief synopsis of Jack Waymire's 36 years of business experience.

- * He is the author of *Who's Watching Your Money? The 17 Paladin Principles for Selecting a Financial Advisor*.
- * He is the founder of [PaladinRegistry.com](#) a free public service that provides education, matching, and documentation services to investors who rely on advisors to achieve their financial goals.
- * He spent 28 years in the financial services industry. He founded and was the president of Lexington Capital Management and successor companies for 21 of those years.
- * He also spent five years at A.G. Becker, a subsidiary of Warburg, Paribas, Becker. In his last position, he was a vice president and consultant to institutions with more than \$7 billion of retirement, endowment, and foundation assets.
- * Prior to entering the financial services industry, he spent seven years with two Fortune 500 companies: Xerox and Unisys (formerly Burroughs). In his last position, he was the vice president of marketing for Burroughs/GSI.
- * He and the companies he's managed have provided financial services and support to thousands of investors, advisors, and institutions with more than \$20 billion of assets.
- * He has appeared on CNN and over 40 national, regional, and local radio talk shows to talk about the subject matter of his book, the risk and consequences of bad advice, and the solution that's delivered by [PaladinRegistry.com](#).
- * He earned a BA in Economics from California State University Sacramento and an MBA from Pepperdine University.

