

# Ten Myths About Financial Advisors\*



Ten popular myths help lower-quality advisors sell you their investment and insurance products. Knowing the truth about myths makes you less susceptible to the financial risks and consequences of these deceptive sales tactics.

## What are these myths?

### **Myth: All financial advisors are the same.**

Absolutely not true. There's a tremendous range in quality based on education, certifications, experience, services, method of compensation, licensing, ethics, compliance records, conflicts of interest, and other important criteria. This substantial quality range creates a major financial risk when you select an advisor.

### **Myth: Advisors must disclose their credentials, ethics, and business practices.**

Absolutely not true. There are no mandatory disclosure requirements. You have to know the right questions to ask to uncover the facts about advisors, and you have to know good answers from bad ones. No advisor voluntarily discloses his or her weaknesses.

### **Myth: Advisors must meet minimum education requirements like other professionals.**

Absolutely not true. There are no industry requirements for education, not even a high school diploma. Other professionals who provide knowledge-based services, such as CPAs and attorneys, have substantial education requirements. Financial service professionals have none because they work in a sales culture, not an advice culture.

### **Myth: Advisors must have minimum amounts of experience before they can provide financial advice.**

Absolutely not true. There are no minimum experience requirements to be a financial advisor. Advisors can begin selling financial products the same day they receive their licenses.

### **Myth: Advisors have to tell the truth.**

They should, but they don't. Even though regulations state advisors must not misrepresent or omit information, it's an every day occurrence. That's because what's said or not said occurs in sales pitches. Verbal information is easy to deny later because you don't have a written record of what was said to you.

### **Myth: The people who do call themselves financial planners or advisors must have the appropriate experience, certifications, and licenses.**

Absolutely not true. Sales reps use titles that help them sell the most products. For example, insurance agents call themselves planners, and stockbrokers call themselves financial advisors. Any sales rep can use these titles and roles, whether he or she has the necessary knowledge or not. Unscrupulous reps use the titles to hide their real purpose (sales) and to appear more professional than they really are.

### **Myth: Sales reps, planners, and advisors have to put your interests first.**

They may say they do, but it's not true. Only Registered Investment Advisors and Investment Advisor Representatives are required to put your interests ahead of their own. Sales reps, who may call themselves planners, are not required to put your interests first.

### **Myth: Securities licenses mean advisors are competent professionals.**

Absolutely not true. People pass relatively easy tests to be licensed as advisors. Licensing has nothing to do with their actual competence. It takes thousands of hours of specialized education and experience to become a financial expert.

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**Myth: Sales representatives who work for commissions provide “free” services.**

Absolutely not true. There are no free services. Companies pay commissions to advisors to compensate them for selling their investment (mutual funds) and insurance (annuities) products. Then, the companies increase the fees they charge you to recover their commission expenses. For example, mutual fund companies charge 12b-1 marketing fees.

**Myth: Nice, friendly advisors are safe choices.**

Absolutely not true. The personalities of advisors have nothing to do with their competency and integrity. In fact, personalities can be a reflection of sales skills and used as sales tactics because advisors know you let your guard down when you like someone. Also, since most of us trust people we like, it’s easier for them to sell us their products. That’s because human nature makes it hard for us to believe that someone we like and trust will take advantage of us for money.

## Conclusion

Financial advisors know investors want competent, ethical professionals to help them achieve their financial goals. Consequently, all advisors claim to be competent and ethical whether it’s true or not. Their claims help them sell investment and insurance products to unsuspecting investors who believe their claims are true. Don’t fall victim to deceptive practices.

When it comes to your financial future, you can’t risk it on advisors without proper education, experience, and credentials. Do your homework when selecting advisors and remember these common myths. Only trust your money to a qualified professional.

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### Contact Us

At Wipfli Hewins, we believe all our clients have the right to have experienced, well-educated, ethical advisors helping them with their financial questions. If you would like to learn more about this refreshing financial services approach, please contact me to schedule your complementary consultation. Contact Ed Drake at **608.270.2917** or [edrake@wipfli.com](mailto:edrake@wipfli.com).



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