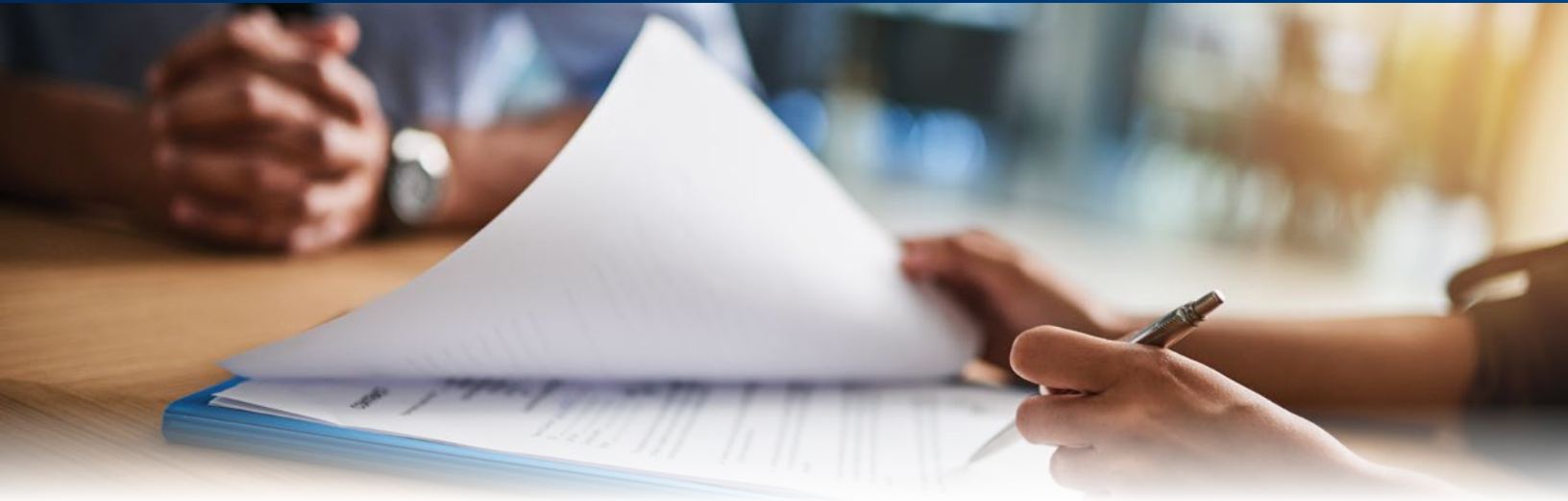




# FAIRMAN GROUP FAMILY OFFICE

Financial Planning | Investment Advice | Tax Preparation & Tax Planning



## TOP 5 QUESTIONS TO ASK YOUR FINANCIAL ADVISOR REGARDING PORTFOLIO RISK

### THOUGHT LEADERSHIP PERSPECTIVES

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BY RYAN GELROD, CFA, PRINCIPAL



If you are preparing for a meeting with your financial advisor—whether as part of an ongoing relationship or exploring a potential new advisor—there are some questions you should ask in order to more deeply understand your risks. Use these 5 questions as a backdrop for a meaningful discussion about your financial health and future, so that you can become a truly informed consumer.

#### 1) IS MY PORTFOLIO SUFFICIENTLY DIVERSIFIED?

Virtually every person that works with an advisor has stocks and bonds in their portfolio. Is that enough? We find many people come to us with portfolios that are comprised of only domestic stocks and bonds. These portfolios are subject to a very specific set of risks, and often the same risks. We believe that diversifying portfolios, even those containing more volatile asset classes, such as emerging market stocks, can actually reduce the overall risk profile of a portfolio. At Fairman Group Family Office, we build our clients' portfolios with 10 asset classes.

#### 2) FROM WHAT UNIVERSE HAVE MY INVESTMENTS BEEN SELECTED?

There are a seemingly infinite number of investment choices today. While not all are worthwhile, it's important to have an open mind when it comes to selection criteria. Many advisors only recommend investments from a certain fund company or group of fund companies or, even worse, recommend investments based on those that will provide them the highest compensation. We believe advisors should select from a completely open investment universe, with no conflicts of interest. This is our approach and will provide clients with the most robust portfolios possible.

### 3) DOES MY PORTFOLIO REFLECT MY SPECIFIC RISK TOLERANCE?

Risk and risk tolerance are likely the most important factors in portfolio construction and asset allocation. Many advisors will ask you to answer a brief quiz to determine your risk tolerance. We believe these quizzes are of limited value, as most people find it difficult to answer honestly. At Fairman Group Family Office, we build a long-term financial model of a client's life to determine what the client needs, then determine what risks they need or can afford to take. We then discuss how that meshes with their personal feelings in order to establish a target risk level.

### 4) HOW SHOULD I SPEND DOWN OR PASS ON MY WEALTH IN RETIREMENT AND BEYOND?

Building a portfolio is important, but that value has to be realized by either spending some of it or passing on that wealth. Have you and your advisor discussed how you will accomplish these goals in a tax efficient and effective manner? How likely is your plan to succeed? Most advisors don't deal with these parts of wealth management. We believe these elements can be extremely important in maximizing the wealth you have accumulated during your lifetime.

### 5) WAS TAX EFFICIENCY CONSIDERED WHEN BUILDING MY PORTFOLIO?

You likely have heard the expression, "It's not how much you make, but how much you keep." While many financial advisors do not provide tax advice or factor that into your investment plan, we believe tax efficiency is a critical element to portfolio construction. The types of investments and type of account in which they are held are critical to how much wealth a client will accumulate over time. We don't understand how these factors can be ignored.

**IF YOU ARE NOT SATISFIED WITH HOW YOUR ADVISOR ANSWERS SOME OF THESE QUESTIONS, WE WOULD BE HAPPY TO SCHEDULE A MEETING TO DISCUSS HOW WE CAN HELP YOU TAKE RISK, TAXES, RETIREMENT AND FINANCIAL GOALS INTO ACCOUNT WHEN BUILDING YOUR PORTFOLIO. PLEASE CONTACT US FOR AN APPOINTMENT WITH ONE OF OUR CREDENTIALLED, INDEPENDENT ADVISORS.**

## ABOUT FAIRMAN GROUP FAMILY OFFICE

Fairman Group Family Office is a fee-only financial planning firm, located in Berwyn, PA, offering financial planning, investment advice, tax preparation and tax planning services to individuals and families in the greater Philadelphia area since 2002. We are a fiduciary who serves you with skill, care, prudence and diligence through a disciplined and integrated process. We do not sell products or insurance and do not accept commissions, referral fees, loads/12b-1s, trails, or any other compensation from outside sources.

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