

Beating the Market Shouldn't Be Your Only Goal

By BEN SCHROCK, INVESTMENT ADVISER REPRESENTATIVE
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Investors like to focus on the bottom line, but retirement takes more than that. Here are four key ways financial professionals can help with the big picture.

Many people hire a financial professional with just one purpose in mind: to outperform the market.

And, of course, that's a solid goal. But if the only thing you're looking for from your financial professional is explosive stock picks, you're doomed to disappointment. No one can control the stock market or exactly how an investment will perform.

You're also overlooking the many important things a good financial professional can do to help you work toward your goals. Those can include:

THEY CAN HELP TAKE THE EMOTION OUT OF INVESTING.

Fear, greed, excitement and disappointment — they all can override logic when you're making investment decisions.

One of the biggest reasons investors underperform over time is psychology, according to the most recent Dalbar study, the 2016 Quantitative Analysis of Investor Behavior. They are driven by behaviors such as loss aversion (panic selling) and herding (following what everyone else is doing).

Financial professionals expect to see a wide range of emotions from clients, especially in today's uncertain markets. But it's our job to help them push down their panic and stick with their plan.

THEY WORK ON CORRECTING THE SHORTSIGHTEDNESS THAT COMES WITH AGE.

Retirees, in particular, struggle with short-term vision. They might not have had any problem at all seeing a 20- or 30-year plan when they were working and could take risks. But as soon as their incomes turn off, they tend to put on what we call two-year goggles, and they can't get past that time frame.

These days, people who retire early at 60 could live another 20, 30, even 40 years. They might be retired for as long as they were working — and they have to keep those income streams flowing. They can't take the risks they did in the past, but that doesn't mean they have to pull out of the market altogether, or stop looking at certain types of investments.

Older investors need to stay properly positioned to help remain protected, but also to help make sure don't run out of money.

THEY DEAL WITH THE COMPLEXITIES OF RETIREMENT SO YOU DON'T HAVE TO.

It's a financial professional's job to stay on top of all the little details — and to help with the big decisions — that you might not even know about.

It used to be you'd get your gold watch and your pension, collect your Social Security and ride off into the sunset. That's not the case anymore.

These days, many people don't have a pension. They don't know when to collect Social Security to get the maximum monthly benefit. They don't know the difference between Medicare and Medicaid, and what will happen to them if they get sick and need long-term care.

We do. And we can help walk our clients through it.

THEY CAN PROVIDE YOU WITH A PLAN.

You have savings, investments and other assets — and files full of paperwork to prove it. But do you have a plan?

Most people wouldn't get married, have kids or buy a house without getting some help to make sure things go smoothly. Why not treat retirement — unquestionably a substantial event in your life — the same way? A financial professional can help prepare you for the certainty of uncertainty. At various times in your life, you're going to be hit with a few surprises — and you need to be ready.

For example, at my office, we go through a list with prospective clients that we call the “what-if test.” What if you lose your job tomorrow? What if you die? What if you become disabled? What if the government reduces Social Security or your pension is cut in half? If you don't have the answers for those sorts of questions, then you probably don't have a plan.

Working closely with your financial professional is not just about making money. That's important, but it's also about having a person who will be there when you have questions or concerns — or when you're full-on flipping out about the market.

A good financial professional not only can help you improve your financial situation, but also provide some reassurance when your financial confidence starts wavering.

Kim Franke-Folstad contributed to this article.

Ben Schrock is an Investment Adviser Representative, Insurance Professional and president of B.A. Schrock Financial Group, an independent, full-service financial advising firm in Wadsworth, Ohio. He has more than eight years' experience in the insurance industry and holds his life and health insurance licenses in Ohio and West Virginia. He also has passed the Series 65 exam.