Why Even I (Especially I) Need an Investment Adviser

By Wendy J. Cook, Wendy J. Cook Communications, LLC
(Reprinted with permission)

Hire an adviser or "Do It Yourself"? *If ever there were a promising candidate for a DIY approach, it* would be me.

That's not always been so. When I embarked on my investment journey around 1990, I was just a typical investor about to enjoy a tech-boom-fueled run in the markets. Then, in 1998, I happened to accept a position at a fee-only Registered Investment Advisor firm, where I was introduced to a new way to invest. At the time, it was called "passive" or "index" investing. I'd written about healthcare, libraries and pet care products. Why not finance? I knew as much about investing as the next person.

Which is to say, I knew nothing.

In what turned out to be one of the luckiest breaks in my life, I heeded my new employer's advice and shifted my scattered stocks into a globally diversified portfolio of low-cost funds, using what we now call "evidence-based investing." I didn't really know why, but to be a team player, I took a leap of faith.

Then that tech bubble burst and, boy, did I learn fast how lucky I'd been to have placed my blind faith where I did. Not only did I happen to sell at the height of the bubble, but I was relatively protected when it blew up. Plus, I got to do some tax-loss harvesting, so I paid almost no gains on the transformation. Suffice it to say, I've never looked back.

Since then, I've learned a lot more about the whys and wherefores of my actions. What began as beginner's luck has matured over the years into the deepest appreciation for the science and wisdom of evidence-based investing. From my personal experience as well as the many tales I've been privy to in my day job, I know that, compared to any other strategy … well, there ***is*** no comparison. Here's a working definition of evidence-based investing:

> Evidence-based investing is grounded in the evidence that market-timing and security selection in relatively efficient markets are not expected to benefit investors after costs. Instead, investors are best served with efficient, low-cost portfolios that: (1) reflect their personal financial goals; (2) expose them to globally diversified sources of persistent market returns (such as asset class and/or factor exposure); and (3) help them manage their damaging behavioral biases.

So these days, I've got way more understanding of the science of investing, with way more disciplined decision-making capabilities and way better abilities to spot a financial pig in a poke. I've also seen the intricacies of portfolio management first-hand, with sufficient working knowledge to go DIY if I had to — especially with today's automated robo-advisor services to help with the heavy lifting.

Still, I won't do that. In fact, the more I learn about investing, the more comfortable I am paying for the advice that I know I still need. Here are a few reasons even a sharpshooter like me should not hit the trails by herself:

Me and My Brain — Knowing about my behavioral biases doesn't immunize me against them. Whenever the financial you-know-what hits the fan, I value having an evidence-based adviser as my dependable sounding board, to confirm that I'm remaining rational … or to let me know if I'm not.

Me and My Education — Since I first discovered evidence-based investing, that evidence has refused to sit still. If anything, its pace has only quickened as new, seemingly credible possibilities augment existing insights and spur off in intriguing directions. To help separate the substance from the senseless distractions, I collaborate with my adviser as I consider what to make of the news. Otherwise, circle back to the first point: My brain is always trying to play expensive tricks on me.

And all this is before we even get to the many second-opinion questions I pepper the guy with, on everything from our estate plans, home mortgage and insurance coverage to whether he happens to know a good criminal lawyer for a friend of mine whose son got in a bit of a tight spot.

Me and My Family — My poor husband. Through vicarious absorption, he's had to learn way more about investing than he'd probably prefer. But if that proverbial bus were to suddenly call me home (and the way I drive, that's not such a stretch), I feel so much better knowing that all he has to do on the financial front is to call Phil. I would like my family to miss me for my good company, my good humor, and maybe my good cooking — not for my ability to manage a mean trade sheet.

Me and My Time — Which brings me to my last point. Even if I could do all of the above on my own, my long run as a disciplined evidence-based investor has left me in the fortunate position that I can afford to pay Phil to do it instead. Frankly, I'd rather be writing articles like this, and leaving the nitty-gritty portfolio management to somebody else. Thanks, Phil!