



VERTICALTM
WEALTH MANAGEMENT

UNMASKING THE 401(k)

Why Some Investors Should Avoid
Working With Their Employer's
Appointed 401(k) Financial Advisor

Your 401(k) is a Valued Savings Tool — But Is It Doing All It Can For You?

Employer-sponsored 401(k) savings plans can be a convenient way to save for retirement, especially when they are augmented by an employer match. Consider the benefits...

Your savings are easy and automatic.

You may have investment options that aren't available outside of W-2 employment.

And if you're lucky enough to have an employer match — you get a recurring bonus to your employer-sponsored retirement plan.

But be aware.

Some people forget the effect a lack of diversification can have on their nest egg's trajectory.



Three Routes People Plan to Provide For Their Golden Years

Based on my conversations with people who are saving for their retirement, many individuals seem to follow one of three tracks when it comes to their retirement savings:

Track 1: Water Cooler Investing

People in this group are not sure which is the best fund, investment blend, or contribution level, and ask folks in their network what they do - how much they contribute and to which funds.

It's what I call *Water Cooler Investing*.

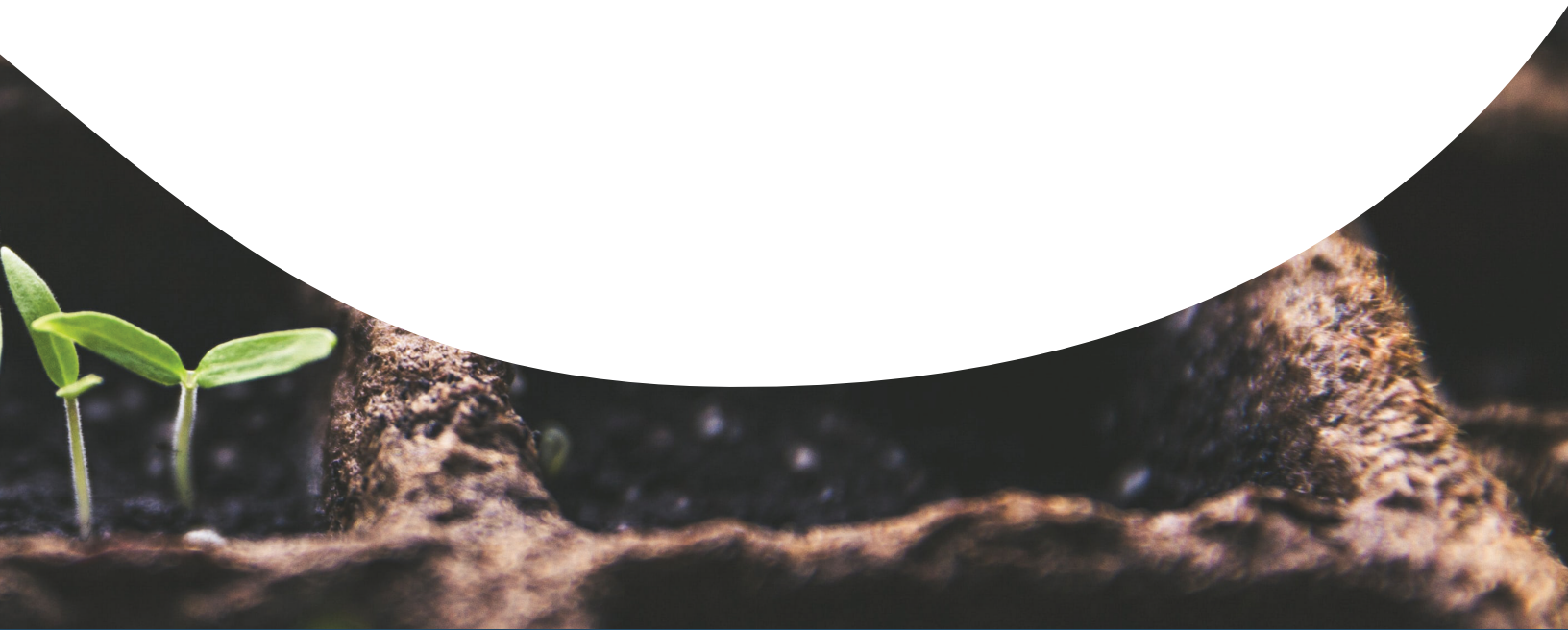
You ask your co-workers what they're doing. If it sounds right, they seem to know what they're talking about, or if it's a person you respect, you follow their lead.

And while their advice might be good for them, they may not share your same goals for retirement, making their strategy unfit for your situation.

But most likely, the person you ask doesn't know any more about investing than you. Their ideas might come from a cable show, a financial magazine, or worse, their oddball brother-in-law who doesn't have two nickels to rub together.

Taking investment advice this way may not lead to the results you want.

But you're smart, you realize the limitations of your co-workers' knowledge, so instead you choose an alternate route . . .



Track 2: Autopilot with Lifecycle Funds

Lifecycle funds try to take the guesswork out of retirement savings. All that's required is a target retirement date, and the fund reallocates from growth-oriented to preservation-oriented as the target date gets closer.

For example, if you place your funds in a 2045 retirement fund, it's more heavily weighted in stocks rather than bonds right now. 2045 is decades away, so the fund is more growth-oriented. As 2045 approaches, the fund will move into a more bond-heavy mix to reflect less risk tolerance as the employee nears retirement age.

This may be practical, especially for folks who aren't getting professional help and don't have the time, aptitude, or interest to manage their asset mix on their own.

But it's possible this isn't the best vehicle to create the retirement plan and savings you need. Depending on your goals and lifestyle, a lifecycle fund may be too conservative or too aggressive.

Your vision of retirement is unique to you. And any lifecycle fund is necessarily reflecting a generic model of retirement savings based on theory.

Your retirement isn't a theory.

So where does this leave you?





Track 3: Working With Your Assigned 401(k) Financial Advisor

For the few employees who understand that working with a financial professional may help them make informed decisions about funding the retirement they want, the first call may be to their 401(k) plan's assigned financial advisor.

This can make perfect sense — the assigned 401(k) financial advisor works for the company that administers your employer's plan.

And while getting professional advice for one of your most important assets is a great idea, here are three reasons why you might consider finding your own financial professional to help you with your retirement plan:

3 Reasons to Consider Finding and Working With Your Own Financial Professional

Reason 1: Communication

When was the last time you discussed your retirement goals with your assigned 401(k) financial advisor?

If you're like most people I talk to, the answer is never.

And when communication isn't happening, it's impossible for a financial advisor to know your financial goals, offer strategies, or put together a plan. Most importantly, they cannot tell if you will be able to retire while maintaining the lifestyle you want.

Typically, other than the required portfolio statements and disclosures, there are no proactive communications to help build your retirement strategy.

On the other hand, when you work with a financial professional that you choose, they are not working for your employer.

They answer to you.





Reason 2: They Can't Help You Where It Counts

There are three pillars of a complete financial management plan:

1. Financial planning
2. Investment management
3. Tax planning

401(k) financial advisors may not offer all three pillars, and instead, steer clients toward investment funds that don't always match their personal goals.

For those advisors who take the time to create a plan and manage the investments, they may not have the tax planning expertise necessary to maximize your assets.

Taxes are a big factor of your nest egg, and paying more than you have to pay can erode your savings. Yet some 401(k) financial advisors may not have the training or experience to legally and ethically minimize your tax burden.

For you to build an investment portfolio that supports the retirement lifestyle you're aiming for, your advisor needs to consider all three pillars of financial management.

Reason 3: The 401(k) Financial Advisor Works For Your Employer, Not For You

I touched on it in Reason 1, but I want to highlight that at their core, your 401(k) plan's assigned financial advisor works for your employer, not for you.

Your employer pays for the plan.

Think about what that means when you're asking questions about your portfolio, particular strategies, or individual investments. Your assigned financial advisor may be interested in helping you grow your assets, but they were hired by your employer.

Your financial advisor should work as a fiduciary — someone who is legally bound to put your interests first, not those of your employer or any one else.

That's why I recommend that you . . .

Work With an Independent Financial Advisor Whose Sole Interest is in Your Success

If you're serious about your 401(k) and counting on it to help support you in retirement, it's crucial that you talk to a financial advisor whose focus is on your success.

Someone who tries to understand your goals in life and create a personalized plan around them.

Here's what to look for in a financial advisor that acts as a fiduciary:

Great communicator — Proactive, gives you updates, keeps you informed about your progress, and suggests changes when needed.

Convenient — Available at times that work for you, and that doesn't require you to take a half-day to travel to a high-rise office for a conversation.

Full Toolbox — Knowledgeable about available solutions for your goals, not the standard cookie-cutter solutions.

Experienced — Experienced and equipped to help with your big life changes and evolving goals.



Schedule a Call









If you have an employer-sponsored 401(k) and want to see how working with a financial advisor who works for your interests could impact your retirement, click below to schedule a call.



About the Author

WHAT I DO: I help high-income and ultra-high-net-worth individuals work towards achieving personal and financial freedom with evidence-based financial planning, investment management, and tax planning services.

WHO I WORK WITH: I work with high-earning individuals who want to accumulate assets, but also want to reduce the risk that comes from a DIY approach to investing. This includes:

-  Executives
-  Physicians
-  Attorneys
-  Business Owners
-  Professionals
-  Retirees
-  People approaching retirement
-  People who just changed jobs

SERVICES I PROVIDE:

-  Financial Planning
-  Investment Management
-  Tax Planning
-  Retirement Income Planning
-  Insurance Planning
-  Social Security Planning
-  Family Office Solutions
-  Wealth Management Services
-  Portfolio Management
-  Business Retirement Plans



WHY YOU NEED MY HELP:

- **EVIDENCE-BASED FINANCIAL PLANS.** No fads. No guesswork. Only investment strategies to grow and protect your wealth.
- **BESPOKE, CUSTOM INVESTMENT STRATEGIES.** My approach is custom for each client. No cookie-cutter solutions, only plans designed with your specific goals in mind.
- **WHITE-GLOVE SERVICE.** Unlike what you may have experienced at other firms, I consider it an honor to plan and manage the assets it took you years to build, and that comes through in the level of personal touch you experience as one of my valued clients.

WHAT MAKES ME UNIQUE: With a level of service that I believe is second to none, my goal is to have clients feel the care I have for their assets and the years of sweat and struggle that went into accumulating them.



READY TO TALK?

[Yes, I would like to schedule a call](#)

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