



5 Things You Do Not Know About Financial Advisors

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Investors should hold their financial advisors in high esteem, the same way people hold their doctors in high esteem. One is responsible for financial well-being, the other for physical well-being.

However, financial advisors are not held in high esteem. In fact, the people who depend on them for competent, ethical advice hold them in extraordinarily low esteem. They rank near the bottom of the scale along with insurance agents and car salesmen.

Guess what? Financial advisors and Wall Street executives could care less what you think of them and their firms. They are laughing all the way to the bank.

One: Salesmen

One of the primary reasons why investors hold advisors in such low esteem is many of them are not really advisors. 75% are salesmen who masquerade as advisors to reduce sales resistance and sell more investment products. This deception undermines the industry's reputation for advice that investors can trust.

Two: Job Titles

Job titles mean absolutely nothing in the financial services industry. Anyone can claim to be a Financial Planner Northbrook II or financial advisor, whether they have the requisite knowledge or not. There are no regulations that prevent this deceptive sales practice. Wall Street representatives pick the titles that help them sell more investment and insurance products.

Three: Ethical Standards

You may believe advisors are supposed to do what is best for you. This is also not true. 75% of advisors are held to a low ethical standard called "suitability." They are supposed to make suitable recommendations based on their knowledge of you and your situation. Suitability is a deliberately vague standard that varies by investor and is very difficult to enforce.

Four: Mandatory Disclosure

You may believe advisors are supposed to provide all of the facts (credentials, ethics, expenses) you need to make the right decisions. Nothing could be further from the truth. It is up to you to ask the right questions and know good answers (benefit you) from bad ones (create hidden risks). The information advisors do provide you is verbal (sales pitches, undocumented sales claims) so you have no written record of what they said. It is your word against the advisors if there is a future dispute.

Five: Brand Names

You may believe you are safer if you select a financial advisor who is licensed or employed by a brand name firm. However, this is a myth that is perpetuated by the brand names. The fact of the matter is, Wall Street firms have paid billions of dollars of fines for cheating investors. Why cheat investors? Brand name executives make millions when they put their firms' interests ahead of yours.

At NS Capital, we are fiduciary financial advisors, which means we are legally obligated to put your interests first. We have fiduciary financial advisors at all three offices Stamford, CT, Northbrook, IL; and Greenville, SC.

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