To: P&G Employees
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Re: Money Management Relationships

There are four main types of relationships that may be established when you retire. Each offers different advantages and cost structures. Pick the relationship that best meets your needs.

Do-it-yourself

You may open an account with Schwab, Fidelity or any other discount brokerage house and manage your own money. I have a number of estate planning clients who do this quite well. They enjoy studying the market. Investing has become their hobby. One of the risk associated with the do-it-yourself method is when the client dies, the spouse who wants nothing to do with money management is thrown into many difficult choices with no training and no assistance. This is perceived as the lowest cost alternative. If you use all mutual funds, it may not be. On a discounted commission basis where you hold specific stocks and bonds it will be the lowest cost method.

Hourly or fixed fee financial planning relationship

These are typically fixed fee and hourly rate Certified Financial Planners who will, for a fee, design and monitor your plan. You manage the IRA account at Schwab or another brokerage house. The planner helps you to decide what track your train should be on, helps you get going in the right direction and gives you advice along the way. However, you drive the train and execute the trades. This model is the do-it-yourself with a trained professional looking over your shoulder.

Commission based stock broker

A commissioned based broker (a dying breed) will charge you a commission only when you buy or sell. In many accounts, this produces a low cost because once the portfolio is established changes are minimal. You need only to rebalance your asset allocation plan. The core holdings do not change. The commission is about 1% per trade, not 1% on the core holdings that are not being traded. Typically, there are no other services provided. Your broker will not review your estate plan, consider income taxes, advise you on financial planning needs. They only buy and sell investments.

Money manager

At the high end, is the money manager. They will typically have advanced degrees like Certified Public Account (CPA), Chartered Financial Analysis (CFA) or Certified Financial Planner (CFP). They offer a comprehensive approach when reviewing your situation. In addition to money management they will provide advice on: financial planning, gift strategies, charitable giving, estate planning, insurance and risk management, income tax planning and many other financial topics. They typically charge .75 to 2% of your account per year. The larger the account the lower the rate goes.

The decision should not be about cost only. Look for value. If you need services and pay for them, there is value to the relationship. If you are paying for the service but do not need it, you may be wasting your money

John