

The 5 Real Reasons to Hire a Financial Advisor

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If you believe much of the media, you hire a Financial Advisor to try to outperform the stock market. Never mind that this can have very little bearing on whether you can live or retire as you would like. Never mind that research has shown that even the hottest hedge fund managers struggle to outperform the markets. (Ok, they don't struggle to; they don't.)

The better reasons to hire one are to:

Press you to answer questions you don't want asked, like how you plan to take care of your aging parents if you need to, whether your will is up to date, how you are going to send your kids to college, what you will do if you lose your job. These are the types of questions that make most of too uncomfortable to ask ourselves.

Put together a financial plan. Very few people ever, ever do this on their own. And most drag their feet on doing it with their Financial Advisor, too. It takes time and it can hurt. But it matters.

Identify risks in your portfolio that you might look right past, like being overweight the US (which is most of us in the US) or being mostly invested in tech stocks, when you're in the tech industry.

Talk you through market volatility. Most of us energetically claim we don't need this. It's hard to project forward an image of ourselves being nervous or scared, and our recollection of past pain has been shown to fade over time. (Just ask any woman who has been through childbirth more than once!) But another voice besides your own during tough markets can be invaluable.

Identify your biases. This is a biggie. Many of us think we don't really have any....which is exactly the point. One big one: women tend to be more risk-averse than men. That is neither good nor bad of itself, but it

is something that should be tested and pushed at a bit, given that women as a group also earn less and live longer than men. As a result, they could perhaps tolerate a bit more risk.

Yes, Financial Advisors cost. But if they are able to provide the services above -- and particularly if they can do it earlier in one's investing life -- their value can be meaningful.

(Photo: Administrador Galeria Uninter, Flickr)

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