

The Benefits of a Financial Coach

By Kevin Q. Williams

For five years, Carl, a slightly overweight but otherwise healthy 52-year-old, diligently maintained a workout routine with limited success toward his goal of losing weight.



About a year ago, he started a personal fitness program, including working with a personal trainer, and has been much more successful in terms of realizing his goals. Having a financial coach, in many respects, is like having a personal trainer.

Overcoming Hurdles

One of the biggest hurdles in reaching our goals, financially or physically, is our own emotions. A coach can help us understand that our emotions can lead to bad decisions, such as overeating, and cause us to become short-sighted relative to our long-term goals.

Financially, people usually buy and sell at the wrong time. This is illustrated in several Dalbar studies. These studies point out that the stock market will yield approximately a double-digit return over a 20-year time period. However, individual investors working on their own typically yield only a 2% or 3% return over the same time period.

One reason for the difference

in success is that the individual investor gets caught up in the emotions of the current markets and loses that long-term focus. This investor usually buys during an over-bought market and sells during a market that is characterized by over-selling.

In contrast, a financial adviser will keep a client's focus on long-term goals, thereby keeping the client from becoming a negative Dalbar statistic.

Another obstacle, which is related to our emotions, is unreliable information or "noise." We live in the midst of the information age, where much of the data bombarding us through the mail, e-mail and the Internet is inaccurate. For example, it's hard to tell whether there are more get-rich-quick schemes or lose-weight-fast offers.

Is the source of this information a knowledgeable professional or legitimate news source, or is the source a company advertisement or someone who lacks proper training? Shocking headlines and short sound bites make it hard to know what to believe.

A good coach will help you set up a plan and provide you with a disciplined approach toward reaching your goals. This will enable you to sift through the information without acting on noise that can sidetrack or derail you in your efforts.

Gaining Momentum

A coach/adviser can help identify which risks are worth taking and which you need to avoid.

Throughout his running program, Carl dealt with many injuries. His coach advised him which injuries required rest and which injuries would not hamper his progress. Left to his own devices, Carl probably would have misdiagnosed the treatment needed, stopped running and lost momentum in reaching his goal.

Momentum is important, and we need to harness its power. Many believe that you are either falling forward in reaching your goals or you are falling behind. The important thing is to start now, even if you are only taking small steps.

Momentum is initiated by sacrifice. For example, a running program begins with making a sacrifice of time, money and diet. When you continue to make these sacrifices over time, the sacrifices become discipline. When you stay true to the discipline, even when the climate is not favorable, the discipline becomes passion.

One thing that always creates momentum is accountability. Our friend Carl also has a business coach. It's amazing what Carl can get accomplished just prior to a scheduled meeting or how much weight Carl can lose the day before a weigh-in. Trying to accomplish tasks or dropping weight just before the appointed hour may not be ideal, but it does work in terms of creating momentum.

Weighing the Costs/ Benefits

The costs/benefits of hiring a coach or adviser need to be calculated and evaluated. Previously, the perceived costs of a personal trainer prevented Carl from realizing the benefits. Upon further investigation, he found that fee structures were different for each potential coach, as were the costs of various plans or platforms. It was simply a matter of selecting the best fit for his needs.

The issue that is rarely calculated is the cost of not having a coach. It's hard to determine the potential health costs of not being in shape or not losing weight. A family history of health issues such as diabetes or heart disease should be sufficient motivation.

On the financial side, what are the costs of running out of money possibly years before you would have if you had been guided by the wisdom of an adviser? Or what is the cost incurred when a series of bad financial decisions are made or if someone neglects to make a decision at all?

Selecting a Coach

If you are willing to entertain the idea of hiring a trainer or adviser, you will want to develop some type of selection criteria. Obviously, you want someone who will have a significant impact on your goals and life relative to the costs. But how do you find someone who will produce such results?

The right candidate will have a consultative process. A good personal trainer will not only

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help with physical exercise, but also with nutrition and health. A good wealth manager will help with investments, but also will assist with wealth enhancement, wealth transfers and wealth protection, among other goals.

According to John Bowen, of CEG Worldwide, the adviser characteristics affluent clients value most are character, chemistry, caring, competence, cost-effectiveness and consultation.

Alan Woodruff of LaQuinta, Calif., is a personal fitness consultant to many athletes throughout the nation. Woodruff says that the most important criteria for selection of a personal trainer is compatibility, which includes whether you can work and share thoughts and ideas with the personal trainer. It also includes like-mindedness in the approach or plan. Woodruff goes on to explain that compatibility includes the division of labor between the

client and the trainer.

In terms of your physical and financial health, you can do it on your own or you can seek the advice of a professional. No matter which route you take, time and planning are crucial to your success. Carl is seeing much better results by utilizing a personal trainer.

If you decide to utilize a coach for your long-term success, select a personal trainer/financial adviser with whom

you are compatible and whose consultative process will have the most significant impact on your goals, values and interests, relative to costs.

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