

8 Questions Every Advisor Should Be Able To Answer

Scott A. T.: Broadcasting from One Dallas Tower, this is Scott Alan Turner, the financial rock star in high praise to the church of the financial truth. Here to help you to get you out of debt faster, save more money, and retire rich. In the studio with me is producer Katie. On the show today I'll be answering your questions about money, business, and life. If you have a question you would like answered on the show, visit goaskscott.com.

When Katie and I first got married, been happily married for eleven years now, we had to combine multiple homes, multiple retirement plans, multiple checking, multiple savings accounts, insurance, all that stuff that you combine. If you're single, think of everything you've got and then doubling it, or if you've been married, you are married, you know exactly what I'm talking about. You got your stuff, their stuff, trying to cram it all into the same thing. Katie comes to me, and we're starting to combine stuff, she says, "I want someone to take a look at this that isn't you." She put it more nicely than that, it's not you Turner, it's not you Scott, to provide some outside perspective because I was super cheap at the time, cheap, frugal, whatever you want to call it, and she's not super spendy, but we just different spending ways, stuff we spend differently things on.

We started looking around for someone who could help us, someone who could advise us in picking a financial planner. At some point, you're going to have a major life changing event along the way. Inheritance, marriage, divorce, children, career changes, bankruptcy, getting ready to retire, taking care of an aging parent. One of those things, multiple of those things, are going to happen. When you hit those points in your life, you might think about getting some help. If you're a man ... Men, talking to you, you might think about it but just not admit it to anybody because hey, we're men, we don't ask for help. We are manly. We don't ask for directions. It's like nodding like you know what the mechanic is talking about when the car is broke. "Oh yeah. It's the carburetor thing. Oh. I know just what you're talking about. Mm-hmm (affirmative)." If you're a man, just think of this as asking your buddy for help with which player you should pick in your fantasy league. That's not asking for help, it's just being a man.

Where do you begin your quest for assistance? We're talking about your deepest darkest secrets, which are, what's going on in your wallet, what's going on in your purse, how much have you saved, if anything, what are your hopes and dreams for the future, and how are you going to get there? These questions, they will help you find a good match for your situation when you're going out there and looking for some type of advisor, some type of investment professional to help you out.

1. What type of clients do you work with? Do you work primarily with business owners? Primarily with doctors, dentists, lawyers, high incomers? 50 years and up? People getting ready to retire? Are you primarily working with millennials? High net worth individuals? 10+ million dollars? Low net worth individuals? \$50-100,000, just getting started. The zero net worth individuals. What is the range of your clients.

Next, how often are we going to talk? Are we going to talk 2 times a year? On the phone? Are we going to meet via Skype? Are we going to meet in person? Am I going to come into your office for an hour or two sometimes every couple months? How often am I going to see you? Next, what are you going to do when the markets tank? I.e. I've got some investments, things are getting hairy out there. What are you going to do? What's your investment philosophy? Cut and run? Put everything in cash? Ride it out? These are different things. Different investment planners will do things in different ways.

Next, how long do your clients stay with you? Advisors that have earned the loyalty of their clients, they're going

to have a long history with those clients. They're going to have long term relationships. That speaks very highly to that advisor, that they're doing a good job. How realistic are my goals? Good advisors, they don't sugar coat it. They don't sugar coat it. If you've got 50 grand in the bank, you're age 35 and say you want to retire in 12 months, a good advisor's going to tell you, "I'm sorry, I don't think that's realistic. I'm sorry, I don't think we're a good fit." You want someone who's a good fit. You're puzzle pieces. You're going together. You're going to be going on a journey together.

Next, am I going to be working with you? It's like if you go to a law firm. You've got the senior people, the junior people. You might be working with the junior people, or you might be working with the senior people, but a larger advisory firm, there's a lot of people there. You may not meet with the person that you're talking to. It may be somebody else. You may get passed on. You may have a group of people that you're going to meet with. See who that person is.

What services are you going to get out of this individual firm, small company? I tell you, a single person can't do it all. They can't. There's too much to have to know. A team can, or a person who has access to those resources, because when you're talking about financial planning in a comprehensive manner, your whole life, everything, because really that's what you're trying to get towards. All the pieces have to fit together and work together, and that's going to get you to your goals faster. You got to have the tax person, the CPA. You got to have the financial planner, certified financial planner. You got to have the lawyer, the legal person, to do your wills, your estate planning, and that stuff. You got to have the insurance person to handle your disability, life insurance, umbrella policies, all that stuff.

It doesn't mean a single person isn't an option for you, if it is a one person business, but that person should be able to say, "Oh yeah, when it comes time to do your disability insurance, I'm just going to call so-and-so over here. He works with us. All my clients work with him." Or, this legal firm over here, they have a relationship with them, and when you're getting ready to do your will, you're going to go over there and sit down with them and go through all the stuff, because we have a relationship with them. Or we prefer to use X Insurance Agency. We don't make any money on it because we don't have any conflict of interest, but that's who we use and refer people to, because we like them and they do good work.

Next question, how do you get paid? How do you get paid? Is it a percent of assets? Assets under management's called AUM. Do you get paid by the hour? Do you get paid by the job, for example? You go out and get a will made, it's a flat fee, usually. It's by the job. If you want somebody to review your 401(k), nothing else, that should be a flat fee. They go through your 401(k) options, say "Do this and here's why." They explain it to you. You do it and you're done. Move on. What you pay should meet your needs and should meet your wallet.

Katie and I, when we decided on our financial planner, and this was the sticking point. It took me 6 months to actually pull the trigger on this because it was expensive relative to our small income at that time and I did not want to write that check. That's the only thing that held me back, is that I don't want to pay this money. It's a big check. We were way under the minimums of the firm that we went with. They had a minimum amount of assets, minimum net worth. Weren't even close. I had a wife over here who said "You better do something. You better do something or I'm going to do something," so that's how that went.

Last thing is you've got to go with your gut. If your spidey-sense, your bat-sense, whatever you got, if it doesn't feel right, if you have a significant other who says "No, I don't feel right about this person. Something just

doesn't sit well with me." If you're not meshing, keep searching. Keep searching. There are plenty and plenty and plenty of good advisors out there for you to pick from. You want to be comfortable with this person because, again, if they are going to have intimate knowledge about your money, about your values, about your life, about your decision, everything. If you decide we're going to put Mom in a C-rated retirement home so you can keep your country club membership, they're going to know about it. They're not going to judge you about it. They may try to steer you in the right direction, but they're going to know about it.

Financial planners, they provide a huge range of services, and there's a difference between the way they do things. You want to understand what makes one planner different from another. My preference, the type of planner that I work with, the type of planner I am always going to steer people towards, is a fee-only planner. Fee-only. You just pay them a fee. Pay them a fee. They're not making commissions on stuff. They're not making referral fees for when they say "Go to this insurance over here and use them" and they're getting a little money behind the back for that referral. None of that stuff. None of those shenanigans going on. That's a conflict of interest, in my opinion, because you don't know whether they're steering you towards the best products for you or not. Fee only. It's just what you pay them, and they have no financial incentive to do anything except what is in your best interest, and that's what you want.

Where do you find them? You can check out XYPlanningNetwork.com. They deal primarily in Gen X, Gen Y. Garrett Planning Network is another one. You can find fee only planners there, and NAPFA is the big organization. NAPFA.org. Big organization of fee only certified financial planners. You should interview a bunch of people when you pick one to find the one that's best for you. Scott Alan Turner, right back.

David from Nashville, Tennessee is researching a home business opportunity. He says

David: "Both my wife and I are teachers at a Christian school in the Nashville area and we are looking at starting a home-based business to bring in extra income. How should we go about researching a business opportunity that seems promising?" There's several questions here. I'll address that one first.

Scott A. T.: First, just ask. Ask your target audience. I wouldn't worry about someone stealing your idea, unless it's something that you want to patent eventually. Maybe some toy that you're thinking about designing or some really cool invention like the Snuggie, maybe. You can't worry all the time about somebody stealing your idea. If you're familiar with venture capital out in California, they have something called a non-disclosure agreement, which means all right, I'm going to go present my idea to you in the hopes you give me money. They don't do non-disclosure agreements anymore because there's so many business opportunities and so many deals going on all the time that nobody has time to steal ideas. If you can execute better on your idea than someone else, then you're going to win anyways.

Also, just consider from a service perspective, how many air conditioning service companies are there in your area? Probably 30, 40, 50. What's the difference between them all? Not the price. It is the service, so if you can execute better, you have a better service, better product, then you can win. If it's a good product, you're going to have competition someday anyways. You can ask friends, family, your inner circle, "Hey would you buy this? What would you pay for it? What do you think about it?" Get some feedback that way.

Another thing people frequently do, at least in the online world, is the Facebook ads. Create an ad for a particular product, drive it to a cheapo website that you set up, and see if you get people to sign up for email list, email newsletter expressing their interest. Do pre-orders of the product. Will people click on it? Will they

pre-order, enter their information? Then you can see if it's a viable business product. That's an easy, inexpensive way to test an idea before you even think about producing it or even setting up the business.

Next question, what advice would you give to help us begin? First thing, write down what your goals are. Brainstorm all your ideas. Organize them. Prioritize them, and then work on them one at a time. You can succeed a lot quicker at business working 1 to 2 things at a time rather than do the 20 things it takes to run a business. You do 1 to 2 things well, however long it takes, weeks, months, then you go on to the next thing. Otherwise, you end up doing 20 things very mediocre. Starting small is something that always worked for me. Again, this is my business philosophy. Some people say yeah, let's go out and mortgage our house, take out a \$100,000 home equity line of credit, drop it all in the business, and take that risk. I don't come from that perspective. I'm a risk-averse person. I like starting small, investing a little bit, building it up slowly over time, rather than going all gangbusters on it with a ton of money that could potentially lose.

Finding a group of other business owners to meet with online or in person once a week, once a month, is extremely valuable. If you've never hired someone before, if you've never leased a business space, if those are your long term goals, the best person to learn that from is someone that's hired someone or someone that's leased a business space before. It's not by reading a book, which is good and helps, but hiring someone who's been there, done that, who you can call, take out to lunch, they'll also help you vet your ideas. You say, "I'm thinking about renting this space down on this street here," and they might say, "What about this space over here on this street in Nashville because it gets 50% more drive by traffic? That's free marketing." People like that, they understand how that stuff works, so they can help you vet your ideas, think of things that you didn't even realize you need to be thinking about.

Doesn't matter your business. You can be selling necklaces on Etsy, for example. Find somebody in Nashville selling pillows on Etsy, take them out to lunch, see what they know. Go to business meet-ups. You're in a big city. There's going to be a ton of business meet-ups where you can go. Network with people. Bounce ideas off of them. Learn from other peoples.

Next question, what mistakes should we be alert to? You can have a great product, but if you have poor marketing and sales, nobody's ever going to find out about it. If you have an okay product but you have great marketing and great sales, you can make a killing. Marketing and sales matter. Go read some sales books. Go read some marketing books. Learn that portion of the business. Since you're a husband and wife team, have one of you do it. Katie is excellent at running the back end of the business stuff, the organization side of it. Stuff that I am not good at, so we make a really really good team. Husband and wife teams in business, it can work really well because you've got twice as many resources and you can focus on the stuff that each of you is better at.

Number one mistake people make in business is not starting. Number two mistake, quitting too early. They quit too early because you have unrealistic expectations. The joke is the 987-day overnight success story. In our society of instant gratification, iPhones, iPhone things, all those different things, we expect stuff now. Amazon Prime 2-day shipping, get it next day. Actually, Prime Now within 2 hours. Then we start a business and a week later we're like, hey, we haven't made money yet. 3 months later, hey, we haven't made \$50,000. You got to be realistic. It's a marathon, not a sprint.

Next question, how can we best set ourselves up to succeed? Again, I'm coming at this from a risk-averse business person. I'm not willing to bet the farm. I'm not even willing to bet half the farm. I'm not willing to even

bet the barn. Sometimes not even a single cow, and that's vastly different from somebody who's going to happily put up their house as collateral on a half million dollar small business association loan, SBA loan. Or somebody who finances their business with \$100,000 in credit card debt. Yeah, those things have succeeded. People have been known to succeed at that. There's a lot of people who also failed at that. For me, I like having a backup plan, which you guys do. You're teachers. You've got full time jobs. Work it at the side. Let it grow. When the business starts making more than your day jobs, that's time to start thinking about switching gears and not becoming teachers, if that's your long term goal. Maybe you just want extra money. Some people do that. That's fine too.

In defining what your success is, is it clearing \$50,000 in Year 1? Or getting your first product ready for launch in 12 months? Set your goals. Figure out what your plan is going to be, and then plan for that success, and then plan for failure as well. Because there's going to be a lot of colossal mistakes, a lot of colossal failures. This is part of business. Since you've got full time jobs, but you've got summers, you've got a few breaks. Just make the most of those times. It really comes down to education and execution. Education, execution. Congrats David on taking the first step. I hope you keep me updated on your progress. Thanks for the question.

Dolores from Jackson, Michigan signed up for Upwork – Upwork – and asks about how taxes are reported. She said

Dolores: "I've submitted a couple proposals via Upwork and haven't gotten my first job yet. I listened to your podcast which suggests doing the first few jobs for free or very little just to get some reviews in my profile. Wanted to know how the tax aspect would work. I've never freelanced before at all. I know I would probably pay federal, state, and local taxes, but I don't know if any of this is withheld by Upwork. I've also seen that if I charge \$10 an hour, that I'll actually get \$9 an hour. Is that dollar an hour loss a fee only? Also, does Upwork send some kind of earnings statement at the end of the year, or is that something I'd keep track of on my own, and would I pay taxes on \$9 an hour or \$10?"

Scott A. T.: When you're bidding on jobs in Upwork, they have hourly rates that you can bid on or flat fee rates, and that depends on the client, what the client is going for. A lot of times when I'm posting jobs on there, I'll pick a flat fee. Say \$250 for example, and then people who bid on that, they can bid to do it for \$200, some crazy folks will come in, say "I'll do it for \$1,000," they get taken off the list, but generally I have an idea of how much time is going to be spent on a job, what I'm willing to pay for the budget, and how long it's going to take, and people can adjust that up or down. That's reasonable to expect. A lot of people that do hourly jobs, maybe if they have an ongoing project as well.

From the client aspect, you're bidding and you're going to pay a 10% fee to Upwork for any job you take. If you bid on a \$100 job, you say you'll do it for \$100, the client is going to see that you're bidding \$100, but you're only going to get 90 because Upwork is going to keep 10% of it. Same thing with an hourly rate. If you bid \$10 an hour to a client for a particular job, Upwork is going to keep 10% of that. You're only going to get paid \$9 of that. You're only going to have to pay taxes on the \$9 an hour or the \$90 in those couple examples. You don't pay taxes on the 10% that goes to Upwork.

As far as managing all the taxes, Upwork doesn't do any of that for you. You have to take care of that yourself, as if you're a 1099 contractor where no taxes are taken out from an employer. The difference is, Upwork isn't even going to give you a tax form. They give you nada, nothing, so you need to track all that stuff yourself, which is pretty easy. You can do it from within their interface to see how much money you've made at the end of the year. The other way to do it is you just look at your bank account and add up all the income that's come in.

They do transfers a couple different ways. It can come in through PayPal, so you can look at your PayPal statement as well in order to figure out how much money have I made over a certain period of time?

You need to figure out the taxes that you're going to pay on that. Simplest thing to do so you don't end up in a bad tax situation at the end of the year where you don't have enough money to cover your taxes, any dollars that come in, any time you make some money from Upwork, they make a deposit to your account, take 25% of it, stick it in a separate savings account that's labeled "My tax savings account" and put that money away. As a contractor, if you expect to owe more than \$1,000 in taxes, you need to file quarterly estimated payments, and that's something that you can work with a CPA on to get set up. They have the forms. Or you can look online, do it yourself. You can see if your tax savings account is getting close to \$1,000, then you know you're going to owe more, owe \$1,000 at least in taxes, you need to think about doing quarterly ... You don't need to think about it, you need to do it. You need to do quarterly estimated tax payments. Thanks, Dolores, for the question.

Enter the sandman. Back in a moment. You're listening to Scott Alan Turner.

Are you tossing and turning at night? Because if you're tossing and turning, staring at the ceiling for hours at a time, waking up groggy to the point where your coffee isn't even working anymore, problem solved. Let me tell you about Enter Sandman Sleep Assistance Services. Enter Sandman will come into your home and provides a wide range of sleeptime services to guarantee you get a good night's sleep. Pillow fluffing. Bed turndown. Chocolates on your pillow. A cool, refreshing glass of water or milk or both. 60 minutes of fanning with a minimum 5 foot palm tree leaf from the Egyptian date tree. Also included: Irish lullaby singing to soothe you to sleep. Every staff member for Enter Sandman wears soft soled shoes so they can sneak out of your house without disturbing your deep sleep. Say goodbye to sleeping pills and chamomile tea. Enter sandman. It's great for crying babies too.

Alright, back to the madness. When the son of a deposed king of Nigeria emails you directly asking for help, you help. You help. His father ran the freaking country!

Michael from Alameda, California says,

Michael: It seems all the credit card companies offer a free credit score. However, this is a soft hit of the score. I have three credit cards with 0 balances, and they say I have a 740 FICO score, just on the cusp of a good to great score. However, then I applied for an auto loan. My credit union came back with a 712 score. Why is the difference? By the way, I took your advice and paid off my car in 3 months.

Scott A. T.: Nice work paying off the car. No car payment. No car payment, that is awesome. Here's the deal with credit scores. This is from bank rates. Currently, Experian and Equifax each provide 16 different FICO scores, credit scores, to lenders. 5 iterations of the general risk score, and up to 3 generations of the 5 industry ... That doesn't even make a whole lot of sense. Shouldn't even bother with that definition.

Anyway, here's the deal: FICO's been around for 25 years. You can liken it to Microsoft Windows. Aw, blue screen of death. There's Windows 3.1, Windows 95, Windows 98, Windows XP, Windows NT, all these different versions of Windows. As FICO changes over time, they gather more data, they will increase the versions of their scores. They have all kinds of different versions. They also have different FICO scores for different industries. There is one specific to the mortgage industry, and that's different from the one which you experienced, which is the one from the automobile or loan industry. It's going to be different scores, because there are different risk factors in each of those industries, between homes and cars, so they give you different scores. There's a

different score for when you're applying for auto insurance, even though that's not a score, it's a report. It's different. Uses different information. Credit cards as well. Different risks, so they use different credit scores. Different types of installment loans also. Different type of credit scores.

According to BankRate, there's 56. 56 different FICO scores. When you factor in Equifax, TransUnion, and Experian. The reason you're seeing the different score from the credit union on the auto one is because it's a different credit score. Different FICO score. Compared to what you're seeing from the credit agencies when you're pulling that score, that's going to be different because it's calculated differently. The secret sauce behind all that stuff, how they do that math with all their algorithms, no clue. No idea on any of those what they're calculating with different ones, but the same general rules apply across the board. Pay your bills on time. Keep your credit utilization low. Have a good credit history. Don't have 62 different types of credit cards. That stuff applies across the board, but then they take that information, factor in risk factors for the different industries to come up with a credit score. Thanks for the question.

Mary is a teacher with a 403(b) with TransAmerica. She says she's got a policy value of \$17,000.

Mary: "My school board changed vendors and I can no longer add money to this account. Want to know if I can transfer this money to a Roth IRA or some other retirement account. I really don't see the account making money. I'd appreciate some guidance."

Scott A. T.: Your options here Mary, they're going to depend on several things. Number one is if you're still employed with the school system, which it sounds like it is. Typically, with an employer-sponsored retirement plan, 403(b), 401(k), you can't move that to somewhere else until after you've severed the relationship with your employer. So you've retired, changed jobs, go to some other company and work. That doesn't sound like you, but there are a couple exceptions to that. If you're aged 59 and a half, sometimes some 403(b) plans allow you to do what's called in service distributions. If the plan is set up that way to permit that.

Let's say you're age 60. You could do some type of rollover from what you're in, again to another external company. Then there may be an option with the plan since they changed from an old plan to a new plan where you can do what's called an in service, meaning you're still working for the same place, in service distribution to again, another outside vendor to move that money someplace else. The most likely scenario, since you're already still employed with that place, is the only option is going to be to move it from that old 403(b) into the new 403(b) that they've introduced. Prior to doing that, you're just going to want to look at each of them and see which has the better options and the lowest fees. Figure out the reason why did they change vendors. What was the reasoning behind that?

Right now, you're in a terrible, terrible annuity which is expensive, so step 1 is going to be call up TransAmerica and see what they're going to allow you to do based on that old plan. Don't take them at their word. They want to keep your money there, keeping those expensive annuities. Then 2 is make a phone call to a company called Vanguard. They're an outside brokerage firm, and if I knew you could pull your money out and roll it into somewhere else, they'd be the company that we'd be talking about and the options there, but since we're not there yet, let's not dig into what those options might be since they may or may not be relevant.

Give Vanguard a call and say "I'm in this fund over here and here's the situation. Can you check on that for me. Can you see if I could move that money from TransAmerica over to you guys and help me with that?" Most likely, Vanguard will be able to look at the IRS rules, the 403(b) that you're in now, your eligibility requirements,

all that stuff, and see if that's an option for you. Once they get that figured out, get back with me and then we'll make a more informed decision from there. Thanks, Mary, for the question.

Everyone else's resolution is your everyday. Those are the words. That's it for this. We'll just use this. Bringing us out with this music. That's it for this episode. I'm Scott Alan Turner. Rock star Katie is my producer. All the links mentioned on the show are available in the show notes on ScottAlanTurner.com. If you have a question you'd like answered by me, please visit GoAskScott.com. Thank you for listening.