

No moolah? A money coach may be the answer

PREET BANERJEE Globe and Mail Update
Friday, Dec. 31, 2010 06:15AM EST



One of the Catch-22s of the financial advisory industry in Canada is that sometimes you find motivated individuals who desperately want to work with a financial adviser but it might not make sense from a revenue perspective for that adviser to take them on as a client. For such people, a “money coach” might be worth considering.

Some financial advisers set minimum asset requirements for prospective clients. Don't have \$1-million? Go see someone else. Some adviser teams have asset minimums of \$10-million or more, and some as low as \$50,000. There are also those who have no minimum at all. As you can imagine, with the bulk of adviser revenues tied to assets being managed, there is a tradeoff between number of clients and the amount of work performed for each client.

If you have a large estate, you are naturally going to gravitate toward an advisory team that specializes in larger estates. They will have fewer clients and should, in theory, be spending more time crafting a plan for your complex financial situation.

If you are just starting out, you might find yourself working with an adviser who handles many more clients, but the Investment Policy Statements and financial plans are much less onerous to create.

I haven't performed any double-blind studies to the effect, but based on what I've seen in the industry, advisory team experience and knowledge is pretty strongly correlated with the asset levels of their clients. Nothing earth-shattering about that. Rightly or wrongly, it breeds the perception that people shouldn't work with newer advisers, even though the newer advisers are more likely to take them on as clients.

One solution that is starting to become more and more popular is the idea of working with a "money coach": someone who is going to guide you through financial decisions. I liken it to personal finance therapy.

If you've been reading my columns, you'll know that I believe that basic personal financial success boils down to getting three core things sorted out: disaster proofing your life, running a surplus, and paying down high-interest debt aggressively. It's not rocket science, yet many people have difficulty with it.

In fact, before you can work with a financial adviser who will handle your assets, you need to accumulate those assets: something you aren't likely to achieve until you've got a handle on these three core competencies.

Here is where a money coach can be just the ticket. They generally work on a flat-fee or hourly basis, with no compensation being earned for recommending products. The focus is on getting you to think for yourself about your major money decisions. You can expect to pay between \$1,000 to \$2,000 for a basic coaching package, and I've even heard of financial advisers sending their clients to money coaches – a testament to how the work they perform is different from the services offered by a traditional financial adviser.

Many financial advisers offer money coaching as part of their service offering too, so make sure to ask your adviser about it. In the future, I can see financial advisers and money coaches working more in tandem as they can perform very different functions – both of which can be integral to your long-term financial success.