



[Click here for more investing tips!](#)

Where To Get Solid Financial Advice For Smart Investors

Dan Eggertsen: Hello. I'd like to welcome everyone to the call today. This is Dan Eggertsen. I'm here with my father Karl Eggertsen. Hey Dad, how you doing?

Karl Eggertsen: I'm doing good today Dan.

Dan Eggertsen: Well great. We've been getting a lot of questions on financial advice. People just want to know how to get financial advice; what type of financial advice they should get. There're specific types of financial advice they're looking for so what I've done is, I've boiled all the questions down into the three top ones we see over and over again. I'm going to go through those with you right now and see if you can answer them okay Dad?

Karl Eggertsen: Okay.

Dan Eggertsen: All right. The first one we've got is, "I'm in a bind financially and I need some advice to paying down my debt and starting to build some savings and investments. Can you help?" So it's kind of a broad question but let's see what you can do with it.

Karl Eggertsen: Okay well this is a real common problem. It's been a big problem is a good part of the reason why the economy has tanked the last few years and we've had a crisis unlike we've had since the 20s and 30s. So it's been from the top on down, there hasn't been a lot of care taking and due diligence in saving and watching budgets and this has happened to individuals. I think that we've all learned a lesson about that and there's savings now, people are saving more than they have in quite a few years.

So it's a real common problem. I think the average on credit cards for the average household in America has been about \$11,000 average that they're making minimum payments on and that's just average; there's some are a lot higher than that and on multiple cards. The point is, there's some debt that's good and some debt that's not good. A good debt is like a mortgage on your home.

Dan Eggertsen: Sure.

Karl Eggertsen: Assuming you can afford it. Funding for your kids to go to college, that's all good debt.

Dan Eggertsen: Because the interest is low, the interest rate's low.

Karl Eggertsen: Well the interest rate's low and the assets are appreciating including – you know your home is an appreciating asset under normal circumstances. College is of great value lifelong to your children. It's also a pleasure to see your kids go to school and get an education and go on and have a good life. So all that's good debt. Okay?

Bad debt is when it's getting into depreciating assets like buying new cars a lot. Of course too many vacations, too many dinners out, impulse buying; walking through stores not sure what you're going to get or you go for one thing and you see 10 other things that you want too.

[03:09.0]

Dan Eggertsen: Sure.

Karl Eggertsen: And a credit card is, you're not going to see the statement until the end of the month and maybe the next month even and then all of a sudden you realize what you've done to yourself and how are you going to pay that this month. So then it goes into the next month and you add more and it goes from there. In any case, we need to take care of that problem and focus on good debt, controlling spending and getting a budget.

Within the budget it would help to minimize bad debt and excessive spending. So, getting back to the question, to pay off a lot of debt like this, like these individuals that have asked these kind of questions have been asking, you need to look at the interest rates; that's the first place to start. Start paying and focusing on the highest rate first.

Dan Eggertsen: Okay.

Karl Eggertsen: Pay that down as quickly as possible then go to the next lowest interest rate and so on. The bottom line is, while you're doing that it's also very important at the same time you're doing this, paying off these high bad debts – and I call it 'bad bad debt of credit card' excessive on a credit card is bad debt – is get a handle on spending and establish a budget.

So go in through your bank statements, credit card statements to identify where your dollars are going and you get kind of a spending statement showing your cash flow and where the money is going. Identify where the money is going that are needed items and where the money is going that are not absolutely needed items. These are more luxury items; discretionary spending they call it that are not really needed but they're fun.

Dan Eggertsen: Yeah.

Karl Eggertsen: They're toys and vacations and too many meals out. Then set mid and long-term goals like buying a home, sending your kids to college, setting up a retirement plan. That all should go onto your budget along with all of the spending areas that you've identified in your

cash flow. Establish a budget and that would include what your long-term goals are because they should be part of your budget too.

You want to see money going into your good long-term and mid-term goals. And evaluate how much money you would need for your mid and long-term goals and how many years until you're going to need that money. Then you can start identifying how much you need to contribute every month and that's [inaudible 05:54.6] your budget. You cut back on spending as required in areas that are not needed. You cut back on that so you can fund properly your mid and long-term goals.

Dan Eggertsen: Right and those mid and long-term goals shouldn't be like for example, buying a Rolls Royce. They should be good mid and long-term goals like sending a kid to college or becoming financially independent correct?
[06:17.6]

Karl Eggertsen: Right and a retirement plan and having emergency reserves account for those unexpected things that can happen and you're caught blindsided. You should have three to six months savings equivalent to your you know, three months of income, you want to have at least that before you embark on any significant investing program.

Dan Eggertsen: Okay.

Karl Eggertsen: You need to get rid of those bad debts as soon as possible and establish at least three months savings equivalent to three months of your salary, or you and your wife's equivalent combined salary.

Dan Eggertsen: Right.

Karl Eggertsen: Then you can embark on an investing program. So that's basically what this individual should focus on, you know some of the key things they need to do and the budget and cash flow and getting a handle on spending is critically important to keep this from happening again. Okay?

Dan Eggertsen: Sure. All right Dad, you nailed that one. Let's move on to the second question. This is kind of on the other end of the spectrum. "I make a good income but I need some advice for what to do with our surplus. I know I should be investing it but I'm not sure how or in what." So here's a person who's making a good income. They're making more than what they need, which is a good thing but they're not sure. They don't have any experience with investing and they want to know what to do with the surplus.

Karl Eggertsen: Okay the number one thing, I 'm assuming this person with a surplus income doesn't have any high interest, especially bad debt.

Dan Eggertsen: Right.

Karl Eggertsen: High interest and/or bad debt are both bad. Bad bad debt's bad whether it's low interest or not and high interest debt is bad. Usually when you're buying good debt you don't have to pay a lot of high interest on it.

Dan Eggertsen: Right.

Karl Eggertsen: So they're both bad but once those are cleared out and you have at least three months of equivalent income saved in a safe retirement account, I mean not in a retirement account but a safe like a bank account, a money market account that's insured and safe. Then you can go into making plans for an investment program. So the first thing is as I recall – let me see what the question was, he was asking for advice on what to do with the surplus and he wants to know what to invest it and where to invest it.

[08:57.8]

I think it's pretty much in the start investing where and how. So the key things are, is like a 401K at work or a 403B at an educational institution. Those are the type of accounts that often the employer will provide up to a certain percent of your contribution, you know match it. So like up to 5% for example. That's 100% on your money. So that's a great place to invest.

What I'm going to talk about right now is places where you would invest and then we can get into specifics on what you would invest once you invest in these vehicles, you know in these types of accounts.

Dan Eggertsen: Okay.

Karl Eggertsen: Okay? For a guy who's self employed, a SEP IRA. In investing in a SEP IRA you can invest up like \$49,000 I think this year and that's a great place for a person who's self employed to plan for his retirement because that's what he's going to have to do and that's a great vehicle to do it.

Dan Eggertsen: Yes.

Karl Eggertsen: Another vehicle of course is the ROTH IRA. That would be the next in line because of the fact that you only pay the taxes up front on a smaller amount of money that you're contributing, then as it grows over your working career, you pay no more taxes on it and it's going to be a lot bigger amount. So you're going to pay a lot less taxes and it's a very powerful vehicle.

A traditional ROTH IRA's another one and then for college is the 529 plan. Okay? That's a Federal tax free educational account that the Federal government provides and you can provide to each one of your kids up to \$65,000 a year. Okay? For education it's tax deferred. So that's a great place to also put some money.

Then a taxable account like at a Charles Schwab account which is just at taxable account, it's good to have some there too because that's liquid and it's a lot easier to put in and take things out of a taxable account because you have rules on these tax deferred accounts that you've to abide by. So a taxable account could be a good thing to have too.

Now as far as investment vehicles, starting out the question was saying I want to know how to start investing. A good place to start is three basic funds; the total US market index fund, the second fund would be a total foreign stock index fund, and the third would be a total bond fund. Okay? There's ETFs, exchange-traded funds...

Dan Eggertsen: For each one of those things?

[11:54.0]

Karl Eggertsen: For each one of those. Okay? They are also available through Charles Schwab. They're also available through Vanguard, Fidelity, and T. Rowe Price are some of the better companies to get these funds from because they're solid companies, they're reputable, very well known, financially strong, and these funds have extremely low costs. I think it's 0.09%, 0.07%, 0.11% and that's the only cost there is. That's the management fee to run these funds.

That's just small fractions of what regular mutual funds would charge for these type of funds. They're a great place. You're globally invested so I think that would be a very good place to start. I would kind of divide like 40% to the US, 40% of your money to the foreign fund, and then maybe 20% for the total bond fund.

Now for person's young enough and they can be comfortable with total stock, they've got a lot of years to invest so it wouldn't hurt to just go 50/50 on the US and foreign, those two funds and not worry about the bonds until you hit maybe 35 or 40. Bonds do provide advantages. They have growth too. It's just about half as much as stocks. They also provide income but a young person shouldn't need income. A bond, up to 20% bonds if they want but no more than that.

Dan Eggertsen: Okay. Now would you say if they do a monthly contribution to just those three things they'll be ahead of 90% of the people out there?

Karl Eggertsen: Oh yeah.

Dan Eggertsen: Would you say that?

Karl Eggertsen: Oh at least that because most people do not invest in a diversified fashion. They invest on tips. They buy individual stocks.

Dan Eggertsen: Or they don't invest at all.

Karl Eggertsen: Or they don't invest at all. Most don't even hardly invest at all and they don't know how to invest. If they try to they get discouraged if they make a mistake because they don't know how. You're invested globally with these three funds and they're extremely low cost. Just the low cost itself, plus they don't get traded very much at all so there's really no tax consequences at all especially with the exchange-traded funds. So these are just going to compound and grow. You keep contributing to them. They're [sic] tremendous vehicles.

Dan Eggertsen: Yeah.

Karl Eggertsen: So again, you can get these exchange-traded funds from any of the major brokers. The ones that I mentioned; Charles Schwab, Vanguard, Fidelity, T. Rowe Price, or you can buy their mutual fund, index funds that are very low cost too.

[14:51:8]

The advantage of those is, if you buy like Charles Schwab index funds and you have your brokerage account at Charles Schwab then you wouldn't pay any commission cost at all, you know any purchase cost at all. Every time you contribute you wouldn't have to pay any cost at all to contribute more to your account every month.

Dan Eggertsen: Right.

Karl Eggertsen: So that's the advantage of sticking with the very funds that the broker you have an account at has. The exchange-traded funds are very powerful alone, you can buy them anywhere. So there's a variety of ways to go but those are the three funds that I think they would only have to worry about to begin with and then they could go from there.

Dan Eggertsen: Okay. Well said. Let's move on to the third question we're going to cover. This is kind of about where to get financial advice. I don't know if they're asking where you get your financial advice personally Dad or whether they're just asking in general where they can get it. But here's the question, "Where do you get good, trustworthy financial advice?"

Karl Eggertsen: I think they're just asking a general question. Sounds like they're asking a general question and it's a good one. Financial information can also be advice. Here are several of the best organizations to get good financial information which is also advice.

Morningstar - Morningstar.com. They also have periodicals, you know monthly journals that they provide of investment information. Their power is they're probably the leader in rankings of mutual funds and index funds and exchange-traded funds. They are always in continual evaluations of them.

They rank and compare to their competitors and they let you know, what they think are the very best of funds as well as stocks too; individual stocks too. They have a lot of investment

education information; personal finance, any type of investing questions or topics that you would want, Morningstar covers. That's MorningStar.com.

There's AAIL.com. That's the American Association of Individual Investors. It's unique in that it's a non-profit organization and it's very comprehensive. It covers the whole gamut of finance that an individual or family might be faced with. Personal finance as well as investing; they have the whole gamut of information. They also have local and national educational programs that they offer to their members and the general public also.

Dan Eggertsen: Right.

Karl Eggertsen: So they're a very powerful tool. They have no special interest. They're purely non-profit providing education. Kiplinger.com is another one. They emphasize personal finance including investing and everything else; real estate the whole works. Kiplinger.com is also a great place to go. There're a lot of good places but these are three that I look at a lot and follow a lot but there's a whole variety of others out there that are also good.

[18:32.30]

Okay if you want to get personal advisors, somebody to sit down with you and help you with your portfolio, your financial planning, there's an excellent place to go is the National Association of Personal Financial Advisors; NAPFA.org, that's N-A-P-F-A.org. You can type in your city that you live in and they can tell you names and phone numbers of very well qualified, experienced advisors that they have screened out to be among the best in the field.

They're also fee only. In other words there're no commissions involved. They only pay for the time that they spend with you; for what they do for you. There're no commissions on products. They have no special interest that way so that's a real powerful advantage that they provide. And they're a leader. They're a national well-known leader in the United States so they are an excellent place to go.

Charles Schwab, if you had an account at Charles Schwab they also provide the same type of financial planners that they also screen and provide to their clients if their clients express interest. They can make recommendations and probably a lot of the people that they have, that they recommend to their clients, financial planners, financial advisors are also members of NAPFA. I would not be surprised if many of them are. Those are places to go.

Also, anybody that you know that you have a lot of confidence in or a lot of trust in - a friend that you've known for a long time or maybe one of your professionals like a CPA or an insurance agent/broker or something like that may recommend a qualified person. But the main thing is to interview them, make sure you're comfortable with them, check out their credentials, make sure that you're comfortable with them and the style of what they do and get references of people who are clients of theirs and find out what their clients have to say about them.

Dan Eggertsen: Right.

Karl Eggertsen: So those would be what I would do as far as finding a good trustworthy financial advice.

Dan Eggertsen: All right Dad. Very good. I want to thank everyone for their time today and Dad, thank you very much for your time. You did a bang up job answering these questions so I appreciate it.

Karl Eggertsen: Okay Dan. We'll talk to you later, huh?

Dan Eggertsen: Talk to you later.

Karl Eggertsen: Okay bye.

Dan Eggertsen: All right.