



## Don't Give Cookie Cutter Advice! Or Should You?



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As a financial professional you probably pride yourself on giving customized solutions to each client you work with. No one would argue that one client may be very different from another and have a completely different set of objectives and goals. Not to mention that the advice you give to an affluent client may be very different from the advice you give to a middle income family. After all, their tax situation is much different as well as the amount of disposable income and their ability to bounce back from investment losses — all areas to consider when creating their very different financial plans. But are there financial strategies that you reserve for the wealthy that may also benefit your less wealthy clients?

I have noticed one area where this seems to be the case. There is one aspect of financial planning that I have found to be very different for the wealthy than it is for the average American and yet if only this strategy was explained properly it could really benefit either client. Now I am not sure how this came to be so, and I am not blaming advisors for this discrepancy, but it is a discrepancy we should be aware of and may find useful when educating our middle income clients. So what area of financial planning do our wealthy clients view very differently from the rest of the country?

I will give you a hint; it has to do with the largest asset that most of our clients own, that's right it's their home. The American dream is to own your home and to own it free and clear with no mortgage. But if this dream is so great why do our wealthy clients, who

have more than enough money to pay off their homes, refuse to do so? Do they know something our middle income clients don't?

The fact is our wealthy clients understand money better than our not so wealthy clients. In most cases that is how they end up with more wealth. They know that storing cash in their homes may not be a wise use of their money and that the equity trapped in their house is earning them a zero percent rate of return. They also know that once you factor in the tax breaks of a home mortgage, often your home equity is one of the cheapest places you can borrow money from. So what do they do with all of that money that they are too smart to lock away in their homes? They invest it wisely and reap the rewards. Ask yourself, how many of your wealthy clients have a 15 year mortgage on their two million dollar home? They are not in a rush to pay off their home even though "conventional wisdom" tells them they should.

Now think about your middle income clients who are making extra payments on their home but they can't afford to put any money away for basic things like an emergency fund, a retirement plan, or a college education fund for their children. How much better off would they be if they knew what our wealthy clients are already doing? Could they benefit from the same strategy? What about those families we try to help who are living paycheck to paycheck? Often they are in a rush to pay off their homes, when in reality, if they were to get ill, have an accident, or even just get laid off; there is a strong chance they would lose not only their home, but all of the money they were in such a rush to pay into it. **Yet no one is telling them this.**

The question we have to ask ourselves as advisors is why not? Is it because we feel these concepts are too difficult for the average Joe to grasp? Is it because we are not willing to spend the time to educate Middle America that there is a better way to manage home equity? Maybe some of us feel that people who don't have money will just abuse this strategy and end up worse off than they already are. Are we trying to protect them from themselves?

Personally, I have found this to be the case with many mortgage advisors. I have spent a lot of time working with mortgage brokers and loan officers to show them the value of these

strategies, and I found it interesting that while many of these loan advisors knew about some of the newer loan products that can really help a family free up their cash flow, in fact almost all of them had even sold these loans to wealthy clients, but they were afraid to recommend them to their middle income clients. Why? They thought it would be too difficult for the client to understand and so they shied away from it.

My goal in writing this article is to encourage financial advisors not to take the easy road. We should not accept the status quo at the expense of our less fortunate clients. If there is a strategy that works well for the wealthy, why not share it with people who really need it?

Especially if it can work well for them just the same. Yes it may take more time to explain, and in many cases it may be an uphill battle trying to undue all of the incorrect teachings of conventional wisdom, but I assure you the rewards are worth it.

Your clients who get it will not be able to thank you enough and you will be helping them find the money to do all of the important financial planning that they didn't think they could afford.

So should we be giving "cookie cutter" advice?

No, but we should not discriminate against the less fortunate and assume they can not grasp what the wealthy already know. Share the wealth and teach the masses. You will be glad you did! ☐

*Antonio is based in Loves Park, IL and is a respected speaker on a wide range of subjects. He conducts a popular series of financial workshops throughout the year that help families free up the cash they need to live better now, and plan for the future. He is a Registered Financial Consultant and a member in good standing of both the National Ethics Bureau and the International Association of Registered Financial Consultants. Readers who are interested in gaining more information on how to live debt free and truly wealthy can receive a complimentary copy of Mr. Filippone's booklet by calling his toll free recorded message hotline at 800 756 6607 or visiting him online at [www.RockfordRetirement.com](http://www.RockfordRetirement.com) or phone: 815 633 9595*