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GreenHills Ventures Wealth Management – Major Opportunity For Advisors: Spotting Rivals' Errors

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Finding the little errors and omissions in a client's portfolio can often set a financial advisor apart from the competition, says Mark Kemp of Kemp Harvest Financial Group, Harleysville, Pa.

Kemp has what he calls his "dirty dozen" ways that clients can be taken advantage of by advisors who are not aware of what to look for or are not proactive enough in combing through the client's portfolio. Actually, there are more than a dozen things to search for, and Kemp says he keeps expanding his list.

"Looking for these things is a way to bring value to the table," Kemp says. "It is the right thing to do for the client and it sets you apart from other advisors and can lead to referrals. I can find something wrong in every client's portfolio that I look at."

Finding the errors and omissions often amounts to only a little savings, but it can save massive headaches in the future.

As an example, Kemp says more than one third of his clients with adult children still have child protection riders on their insurance policies. He advises clients to drop the coverage when they no longer need it, even though it usually amounts to less than $100 a year in savings for the client.

"The client appreciates that you have looked at this and you have done the right thing for the client," he says.

Another simple act, but one that is often not done for years, is to make sure beneficiaries on all investments and insurances are up to date. Having a beneficiary listed who predeceased the client can tie up an inheritance in court for months.

"We make sure beneficiaries are up to date, and if minor children are involved, we set up a trust to take care of them," Kemp says.

Almost all of Kemp's new clients come to him with mutual funds that are held in a brokerage account when it could be simpler and a little less expensive to hold it directly with the fund, Kemp says.

A financial advisor should be willing to look at pension funds and Social Security payments to determine when is the best time to take each one and whether a lump-sum pension payment is better than monthly payments.

Some financial advisors have failed to take advantage of such things as the Age 55 IRS rule. This rule allows holders of qualified plans, such as a 401(k), to take withdrawals at age 55 without a 10 percent penalty if the holder leaves his job at that time. The person does not have to wait until age 59.5 to take withdrawals without penalty.

These are a few of the areas a financial advisor can address when reviewing a client's investments and insurance, says Kemp. An advisor can learn what to look for by taking classes to earn different certifications; however, some ideas have to be sought out by the advisor.

For instance, a tax expert can help the advisor go through a 1040 tax return form line by line and explore the nuances of each line. Each little issue that saves a client time or money can be of value to client, he says.