Why It’s Important for Financial Advisors to Listen to Their Own Advice

Would you go to a physician who didn’t have the confidence to diagnose themselves with the common cold?

Would you eat at a restaurant (even if it had a few Michelin stars) if the chef refused to eat his or her own cooking?

If you said “no” to either one of those questions, then maybe it’s time to ask yourself a third question—and this one’s a little more personal:

Should you expect clients to listen to your advice if you don’t follow the same guidelines and practices that you recommend for them?

We talked to three advisors to understand their view on why it is important for financial advisors to follow the same advice that they give to clients.

Here’s what they told us…

Invest with Your Clients

A common theme was that advisors should invest alongside their clients—in the same assets, same portfolios, and same strategies.

“We are big believers in taking our own advice at Warren Street Wealth,” said Founding Partner and CIO, Blake Street. “We invest directly alongside our clients, which helps us stay in-tune with the sentiment they experience since our DNA is not much different than theirs.”

While Street's firm is in California, another advisor expressed the same sentiment on the other side of the United States in Massachusetts.

"There is nothing more authentic than taking our own financial advice," said Chris Horvath of Strategic Planning Group, Inc. "When we practice the advice that we are giving, we are really relating to our clients, and they can see it when we consult with them."

Beyond relating to clients, taking your own advice can be an indicator in just how confident you are in the advice that you give to your clients. Stephanie Guerin, CFP®, Partner at The Planned Approach, put it this way:

"We look a lot like our clients do—albeit we are younger than most—so we know that if we do what we tell them to do, we will be as successful, if not more."

Each advisor's response seemed to indicate that they would take their own advice because they shared at least some similarities with the clients they support. On that note, connecting with clients and establishing a relationship through shared experiences informs the second theme we discovered among our advisors.

Modify Your Behavior

Investing your own assets in the same portfolio as your client is one thing, but the day-to-day behaviors required for long-term financial success inside and outside of investment accounts is something else entirely.

Our advisors all said that modifying behavior to match the recommendations you give your clients is just as important as making sure you have assets in the same allocations.

"We also practice a lot of the same planning behaviors and fiscal discipline we preach to our clients as well," said Street. "You'll find me driving a FIAT 500e on a $75 a month lease, and my business partner driving a Ford C-Max."

Horvath elaborated on how he uses his experience as a financial advisor to drive better financial behavior in his own home.

"One way I try to 'practice what I preach' is by keeping track of cash flow. In our financial planning process, we take a deep dive into our client's income and expenses and build them a working cash flow report. I try to do the same at home. Every quarter, I export my household expenses and review where I might be overweight or underweight on what I've budgeted for expenses. I'm a visual learner so this really helps me out."

In the midst of changing your behavior and adjusting how you're invested, it's also important to remember that being authentic also means being open and honest about your own financial situation.

We'll look at what that means for advisors in the next section.

Be Open and Show Your Work

Manish Khatta, President of Potomac Fund Management, has simple advice for the type of questions an investor should ask their potential advisor so they can know that they're making the right decision in who to work with.

"All investors should ask their advisor, 'Let me see your accounts,'" Khatta said. "You have to ask your advisor to know they aren't broke."

The need to understand the motivations behind advice also plays a big role in Khatta's advice for how investors should approach working with an advisor.

"We post about 'eating your own cooking.' We tell people all the time that there are lots of great products. But it's important to understand who's pitching it. Are they using it? Do they trade for you like they trade for themselves?

"If the advisor does do that, then that is 'same table' alignment. The investor and the advisor are truly on the same side of the table, versus just having someone try to sell you something. At the end of the day, you have to believe in what you sell and eat your own cooking," Khatta said.

Taking Your Own Advice

You built your business based on trust, relationships, and providing thoughtful advice. That's why it 's so critical to put yourself in your client's place and conform your attitudes about your own wealth to align with the advice you give. .

And that extends beyond yourself; it's an attitude that should resonate with each employee throughout your advisory firm.

For advisors who want to ensure their employees follow their own advice—AKA keep track of employee trading activity and accounts—you can now use the Inform tool in Orion's Compass app to report on employee trade activities, affirmations, and disclosures, as defined by Rule 204A-1. Learn more about Compass here.

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