



MONEY Personal Finance

3 Big Secrets You Should Tell Your Financial Advisor

Seasoned advisors have seen it all, so don't sidestep the grimmer details of your financial life

By [JOANNE CLEAVER](#)

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There are lies, damn lies and what you tell your financial advisor. According to a survey released in August 2013 by St. Paul, Minn., insurer Securian, 29 percent of clients keep secrets from their financial advisors.

But just because it's not on your spreadsheet doesn't mean they won't figure it out.

Debt is the No. 1 topic clients avoid, according to the survey, which tapped an online consumer panel of 720 people age 30 and older who work with financial professionals. Half of respondents say they withhold information because it's too personal, and 45 percent rationalize that what they don't say isn't relevant anyway. But seasoned financial advisors have seen it all, so there's no point in trying to sidestep the grimmer details of your financial life.



"They're just bare-naked when I look at their credit report," says Ann House, coordinator of the personal money management center at the University of Utah. As a certified financial counselor, she helps staff, faculty and students plot financial plans. "They might be hesitant to tell me certain things, but they're OK with a fact-finding mission because they know that what's on a credit report is what an employer or landlord will see," she says.

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Here's a rundown of what clients typically try to hide:

1. Debt. "Debt is the skeleton in the closet," says Nicole Tietel, a partner with St. Paul, Minn., financial advisory firm Winter & Associates. "The most successful clients have found ways to avoid or manage debt."

It's impossible to hide, so don't bother trying. One couple Tietel worked with had a combined annual income of \$80,000 and a total of \$90,000 in credit card debt. When they inherited \$135,000, Tietel hoped they'd pay off the towering balances. Instead, they bought a new car, undermining their claims to Tietel that eliminating the debt was their top priority.

Debt is easy to get and hard to get rid of. To keep this insidious force in check, keep only two credit cards. Tietel recommends using one credit card for personal and household spending, and the other for business-related spending. That will automatically organize your statements and streamline your ability to zero in on problem categories.

2. Spending habits. "A student will tell me that she's on a bare-bones budget, and I'll say, 'Those are some pretty fancy nails you've got there,'" House says. Thus, a twice-monthly, \$45-a-pop manicure habit is ungloved. The car you drive, the clothes you wear and certainly the amount of discretionary spending revealed in your annual statements all adds up to how you actually spend your money, no matter how frugal you claim to be.

Weave important personal spending priorities into your budget so you can at least allot money that you'll end up spending anyway, House advises.

3. Secret relationships. Are you having an extramarital affair or funneling cash to a sibling in rehab? Perhaps you are covering part of the care expenses for a broke and aging parent. Even if you set up a duplicate set of accounts, secret cash relationships will get out.

[See: [13 Money Tips for Married Couples.](#)]

One of Tietel's clients, a married man with adult children, secretly changed the beneficiary of his life insurance to his mistress. When he suddenly died, his entire family was shocked to learn that a primary asset was directed elsewhere. "He told me she was his business partner, but it was monkey business," Tietel says.

Instead of trying to cover up financial embarrassments, listen to your instincts and build trust gradually, Tietel says. It's OK to bring in the plain-vanilla statements and standard financial goals before getting into messier situations. "You have to establish rapport and trust," she says.

The single biggest unarticulated fear that most new clients have is that they will be judged, says Carla Gordon, a certified financial planner who teaches professional development courses at DePaul University in Chicago. "Most people have made financial errors. They haven't saved enough, they've run up debt or they invested in a 'sure thing.'"

[Read: [5 Things You Should Ask Your Financial Advisor](#).]

"People are scared to come in because they are chagrined to face up to their mistakes," Gordon says. "The truth is, well-trained financial planners will not respond with judgment. A financial planner whose heart and brain are in the right place just wants to help the client move forward in a positive way."

When you meet for the first time, pay attention to how the advisor helps you clarify your goals. If he or she readily interprets what you find hard to say, or asks you questions that help you better understand your own priorities, you will sense whether the planner is in sync with your personality. "If you say, 'I just want to be comfortable,' the planner should ask, 'What does 'comfortable' mean to you?'" Gordon says.

A very squeamish client can get accustomed to financial tell-alls by pairing up with a peer group for mutual coaching, House says. She likes the guidance provided by the Consumer Federation of America at americasaves.org. It can be reassuring to clarify your goals and get comfortable talking about your financial fears and foibles with a friend first. "You're not the only one who struggles with spending and with saving for retirement," she says.

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