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CONTACT

John M. Egan, CFP®
J.M. Egan Wealth Advisors, LLC
john@jmegan.com
800.919.5010



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Getting Smart about Who to Trust

Local Professional Provides Four Tips For Selecting an Advisor

Madison, NJ (Mar 9, 2010) — Effectively managing money and investments is a tough thing to do. The Bernie Madoff scandal was a textbook case of how really smart, sophisticated investors can find themselves in the clutches of a scam artist. According to John Egan, founder and president of J.M Egan Wealth Advisors, because of scandals, many people have found it hard to know who to trust. Egan offers four tips for selecting an advisor.

Work With an Independent Custodian

“One huge protection is the presence of an independent custodian—that is, you receive advice from an advisor, but your money is held at an institutional firm whose internal processes are closely regulated by the authorities,” says Egan. In this scenario, statements come from the advisor and also from the independent custodian, so there is a check and balance in place that details where all of an investor’s money is located.

Work to Separate Salespeople from Financial Advisors

The trust issue becomes a bit harder when deciding whose advice to take. “There may be as many as 500,000 insurance and annuity salespeople who call themselves "financial advisors" or "financial planners," but once they've collected a lot of personal information, their recommendation is always the same: buy a lot of life insurance and (often) equity-indexed annuities that their company is offering,” says Egan. “If the person sitting across from you is skilled at overcoming what seems to you to be valid objections, and if the

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recommendations tend to involve products rather than ongoing advice, and if you are never quite sure how this person is getting paid for the time he/she spends with you, then you should be very careful about giving your trust or your money.”

Determine How An Advisor is Paid

According to Egan, most salespeople are pretty easy to spot but finding the advisors who work as representatives of Wall Street firms can be more challenging. “Many of these reps now have titles like ‘vice president of investments’ and/or ‘financial advisor’ and say they charge fees for their services,” says Egan. “But the fees are paid not by you to the broker, but collected by the brokerage firm and then paid back to the broker as an employee of the firm.”

Evaluating Independent Financial Advisors and Brokers

“Good independent advisors offer one important service that brokers often do not: they try to protect you from excessive costs in your investment portfolio,” says Egan. The brokerage firm representative often recommends products that are highly-profitable for their employers, which in turn, financially benefits the broker.” Egan says that the best way to spot these expenses is to review statements carefully as, by law, these numbers have to be disclosed, but they are generally buried deep in hundreds of pages of “legalese”.

About John Egan, CFP®

John M. Egan of J.M. Egan Wealth Advisors, LLC in Madison and Point Pleasant Beach, New Jersey is a financial advisor who specializes in wealth management, retirement planning and independent investment advice. Since beginning work in the financial services industry in 1986, John has worked with hundreds of families, teachers, corporate executives, and small businesses in 15 states to help them design a plan to achieve their financial dreams. He has the comprehensive education and experience to handle all aspects of building and preserving wealth. A CERTIFIED FINANCIAL PLANNER™ professional, John is a recognized member of the prestigious Million Dollar Round Table, “The Premier Association of Financial Professionals®”, and holds his degree in Business Administration from St. Michael’s College in Winooski, Vermont. For more information, visit www.JMEgan.com.

NOTE:

When you need an experienced professional to speak on complicated financial topics in a clear and concise manner, call John Egan at J.M. Egan Wealth Advisors, LLC.

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