Why Artificial Intelligence Can’t Replace Your Financial Advisor

In today’s digital age, artificial intelligence (AI) has transformed how we shop, communicate, and manage our finances. From budgeting apps to automated bill payment systems that track spending patterns, AI tools provide convenient ways to monitor and organize your financial life. They’re available 24/7, typically cost less than human services, and can process vast amounts of data in seconds.

With all these benefits, you might wonder: Do I still need a financial advisor? The answer is a resounding yes. While AI brings impressive capabilities to financial services and can certainly supplement your financial strategy, it falls significantly short of replacing the comprehensive value a human advisor provides. Here’s why the human touch remains essential in financial planning.

Human Understanding and Emotional Insight

AI excels at analyzing numbers and identifying patterns, but financial decisions aren’t just about the math—they’re deeply personal, tied to your life goals and values.

An AI-enhanced tool may calculate the maximum amount to contribute to a retirement plan or education funding, basing the figure purely on numbers. Still, it won’t understand the deeper emotional significance—the pride in helping family, the desire to leave a meaningful legacy, or how their own experiences with financial hardship affect what they consider “enough” for retirement security. These emotional dimensions require the

human understanding a financial advisor provides.

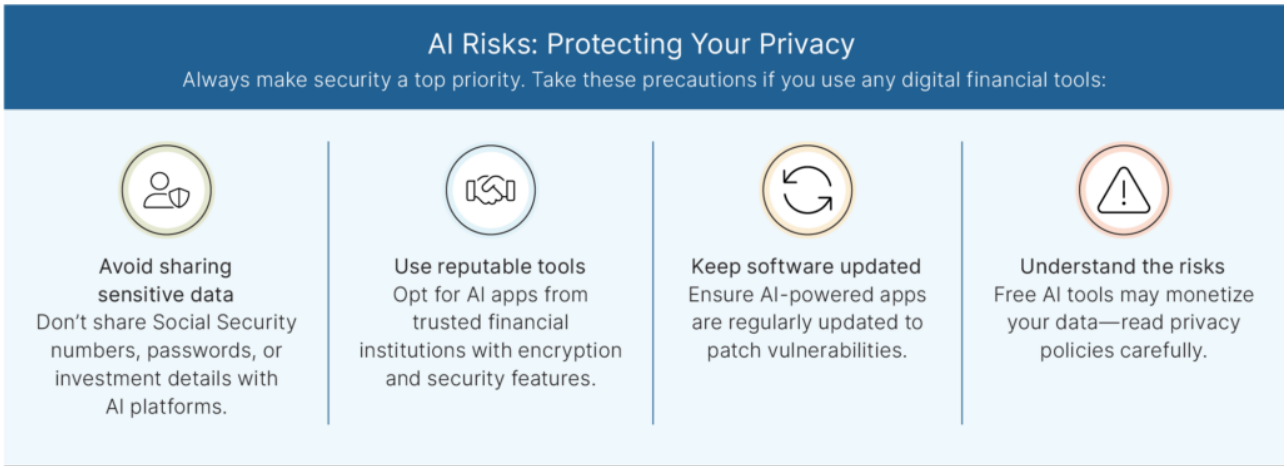
Human advisors bring emotional intelligence to the table. They can help you process the complex emotions that often come with money decisions—whether it's the anxiety of market volatility or the excitement of buying a home. Unlike AI, a human advisor can recognize when the "rational" financial choice isn't the right one for you emotionally and help you balance both.

Regulatory Knowledge and Technical Expertise

Financial advisors stay current on the ever-changing landscape of tax laws, retirement rules, and financial regulations—areas where AI might lag unless specifically updated.

When tax laws change (as they often do), your advisor will understand how these changes affect your specific situation and can adjust your strategy accordingly. They can tell you when it makes sense to harvest tax losses, which retirement accounts to draw from first, or how new regulations might affect your estate plan.

This specialized knowledge becomes particularly valuable during major life transitions. When you're navigating a career change, inheritance, or retirement, your advisor can bring technical knowledge and contextual understanding that automated systems simply can't match.



Complex Family Dynamics

Financial planning often extends beyond individual goals—it could involve navigating complex family relationships and financial legacies.

Issues like inheritance planning, supporting aging parents, or managing family business assets require sensitive conversations and thoughtful solutions. Dividing an estate fairly among siblings or deciding how to support a child with different financial needs involves more than just math—it requires emotional insight and negotiation skills that AI lacks.

An advisor who knows your family history and financial dynamics can offer tailored advice that AI can't replicate. They can help prevent family conflicts over money and create plans that honor both financial efficiency and family harmony.

Behavioral Coaching and Accountability

Money decisions aren't just logical—they're psychological. Fear, greed, and overconfidence can cloud judgment, even when the data points one way.

A good financial advisor acts as a coach, helping you manage emotional reactions and stay focused on long-term goals. AI

might send automated “stay-the-course” messages, but it can’t replicate the impact of a trusted advisor reminding you of your objective-driven strategy and reassuring you during uncertain times. Your advisor knows your financial history and can remind you of how you’ve weathered previous market downturns when panic starts to set in.

Data Privacy and Security

AI tools that handle sensitive financial information are potential targets for hacking and data breaches. While human advisors are also vulnerable to cyberthreats, they provide added layers of protection, such as secure communication channels and strict confidentiality protocols.

Additionally, when you work with a human advisor, you know exactly who has access to your financial information. With AI platforms, especially free ones, your data might be shared with third parties or used for purposes beyond your immediate financial needs.

Real-Time Adaptation and Strategic Insight

AI relies on historical data to make decisions, but it can’t fully anticipate unprecedented events or shifting market conditions.

During a market crash, AI might recommend selling assets to minimize short-term losses because that’s what the algorithm suggests. A human advisor, however, can step in, remind you of your long-term goals, and help you stay the course—potentially avoiding costly decisions driven by panic.

Beyond market fluctuations, life itself is unpredictable. Divorce, an unexpected illness, or a sudden career opportunity can change your financial picture. An advisor who knows you and

your goals can adjust your plan thoughtfully, considering both financial and personal factors. AI can’t replicate that kind of nuanced, real-time guidance.

The Value of Human Advice

Perhaps the most compelling reason human advisors remain essential is their ability to serve as true thinking partners. They bring perspective gained from working with hundreds of clients through different life stages and market cycles. They understand not just how markets work—but how people work with money.

Human financial advisors are legally required to act in your best interest. AI tools, on the other hand, are not held to the same ethical standards. In some cases, algorithms may be designed to prioritize the platform’s profitability over your financial well-being. Having a human advisor helps ensure that your interests remain the priority.

AI will continue to evolve and enhance financial services, but the human connection, contextual understanding, and strategic guidance that advisors provide are irreplaceable. The future of financial advice isn’t about choosing between human and artificial intelligence—it’s about combining the strengths of both to create better financial outcomes for you and your family.

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Allen Insurance and Financial Earns $10,000 Make More Happen Award for AIO Food & Energy Assistance

Allen Insurance and Financial has earned the full $10,000 Make More Happen Award from Liberty Mutual and Safeco Insurance in recognition of the agency’s ongoing support of AIO Food & Energy Assistance (AIO), a nonprofit providing low-barrier access to food, energy, and diaper assistance across Knox County.

The award initially included a $5,000 donation, with the opportunity to double it through an online campaign. Thanks to overwhelming community support, the 500-vote threshold was met, unlocking the full $10,000 for AIO’s essential programs.

“We’re incredibly grateful to our community for stepping up to help us reach this goal,” said Jill Lang, marketing director at Allen Insurance and Financial. “This donation will go a long way in supporting AIO’s work, especially during the most challenging times of the year.”

Each week, more than 450 families rely on the AIO food market, and 750 students benefit from the weekend meals program. In 2024 alone, AIO provided over 500 energy assistance gifts to help local families stay warm without sacrificing meals.

Allen Insurance and Financial has long supported AIO through fundraising, volunteerism, and outreach. This year alone, nearly 2,400 pounds of food have been collected and $39,000 raised to help sustain AIO’s vital services.

The Make More Happen Awards recognize independent insurance

agencies across the U.S. for their commitment to nonprofit partners. Allen Insurance and Financial is among 36 agencies selected in 2025, with Liberty Mutual and Safeco donating up to $360,000 in total.

The Importance of Financial Literacy for Kids

Picture this scenario: Your 10-year-old receives $20 for their birthday and asks, “Can we go to the store so I can buy a new toy?” As you think about how to answer, you realize this is a perfect chance to teach an important life lesson. The impulse to get something new as soon as possible is undoubtedly a strong one—in both kids and adults—but this could be an opportunity to explain the merits of saving for a larger purchase. Helping kids understand how to manage money can create habits that stick with them and help them make smart choices in the future.

Teaching children about money isn’t just practical—it’s about giving them the tools to handle life’s challenges. Early lessons about saving, spending, and planning can set them up for success.

Why Start Early?

Kids pick up habits and lessons starting at young ages, and money skills are no different. Studies show that attitudes about money are generally formed by age seven. Teaching kids while they’re young helps them build a healthy relationship with money and equips them with skills to manage it—to save, spend, and

budget responsibly. These lessons can give them the tools they'll need to avoid financial mistakes later on. In addition to helping your child make better decisions about saving, borrowing, and investing, early money lessons will help them learn to distinguish between needs and wants, a key skill for managing money wisely.

Allowance and Budgeting

An allowance is often a child's first encounter with money, making it a great tool for teaching the basics of finance. While you may want to designate some chores as an expectation for contributing to the household (therefore, not allowance-worthy), try giving your child a weekly allowance tied to age-appropriate tasks that go beyond their expected contribution. For example, a seven-year-old might be expected to make his bed every day, but he can earn cash for changing the sheets or putting the dirty ones in the laundry.

Here's one way to use an allowance to teach budgeting:

- **The three jars method:** Give your child three jars labeled "Save," "Spend," and "Give." Encourage them to divide their allowance among these jars. A common split is 50% for spending, 40% for saving, and 10% for giving, but you can adjust this based on your family's priorities.
- **Discuss spending choices:** Let them decide how to use their "Spend" money. If they want a toy, talk about whether they'll still enjoy it a week later—in other words, is it worth the spend?
- **Track their money:** Use a simple notebook or a basic app to keep track of allowance, savings, and spending. This helps kids see where their money is going and gain practice keeping a record of their finances.

Setting Saving Goals



Saving teaches kids patience and discipline, which can be tough when they're naturally drawn to instant rewards. Help them set a goal for something they want, like a game or a bike, and show them how to save for it.

- **Set a goal together:** Ask your child what they'd like to save for and figure out how much it costs. Then, break it into smaller, manageable steps. For instance, if the goal is $20 and they save $5 a week, they'll reach it in four weeks.
- **Make it visual:** Create a savings tracker, like a thermometer, sticker chart, or a jar they can color in as they save. This makes the process fun and the progress visible.
- **Celebrate success:** When they reach their goal, congratulate them and tell them how impressed you are that they did it. Reinforce how saving leads to worthwhile rewards.

Introducing Investing

Investing might sound too complicated for young minds, but it can be easy for kids to understand with age-appropriate

explanations.

- **Use familiar examples:** Explain investing by comparing it to planting a seed and watching it grow. Relate it to companies they know, like ones that make their favorite toys or snacks.
- **Open a custodial investment account:** Some financial institutions offer accounts where you can manage small investments for your child. Show them how money can grow with time and patience by explaining how the account works.
- **Use simple analogies:** Talk about risk versus reward. For example, keeping money in a piggy bank is safe but doesn't grow, while investing is like planting a garden—it takes time but can yield bigger rewards.

Everyday Teachable Moments

Using ordinary situations to teach money lessons helps make the concepts stick:

- **Grocery store shopping:** Involve your child in comparing prices, discussing needs versus wants, and finding the best deals.
- **Family budgeting:** Share how you budget for things like vacations or household expenses. Simplify it so they can understand how money is allocated.
- **Holiday or birthday money:** If your child receives money as a gift, encourage them to split it among saving, spending, and giving.

Encouraging Generosity

Teaching kids about giving helps them develop empathy and gratitude. Suggest they donate a portion of their money to a cause they care about—like helping animals or supporting a local

food bank. Explain how even a small amount can make a big difference.

A Lifelong Skill

By teaching kids about money early, you're giving them skills they'll use forever. Financial literacy helps them make smart decisions, avoid debt, and even build wealth. Whether it's through an allowance, saving for a goal, or exploring investing, these lessons will prepare them for the future. Start small, keep it consistent, and watch them grow into confident, money-savvy adults.

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How to Start a College Fund Early

Every parent wants to give their child the best possible future, and for many families, that includes higher education. But with tuition costs continuing to rise, figuring out how to pay for college can feel overwhelming. The good news? Starting a college fund early gives your savings more time to grow, making it easier to manage those future expenses.

529 Plans: A Popular Tool for College Savings

When it comes to saving for a child's education, 529 college savings plans are one of the most widely used and versatile options. These state-sponsored accounts are specifically designed to help families save for qualified education expenses,

and contributions grow tax free as long as they're used for qualified expenses. Because of their flexibility and tax advantages, they're one of the most popular ways to save for college. Begin by evaluating your state's 529 plan, as that's often the best place to start for state tax benefits. However, you're not limited to your own state's plan—you can choose almost any state's 529 program that fits your needs.

Here's how they work:

- **Contributions**: Money added to a 529 plan is invested in a selection of funds or portfolios chosen by the account owner.
- **Growth**: Earnings grow tax free, meaning you won't owe federal taxes on the investment gains as long as the money is used for qualified education expenses.
- **Withdrawals**: Funds can be used for tuition, fees, room and board, books, and even some K–12 tuition (in certain states) or trade schools.

Let's say you start contributing $200 monthly when your child is born. By the time they're 18, assuming a 6 percent annual return, you could have about $75,000 saved—and all the earnings would be tax free when used for education.

Tax Benefits

One of the biggest advantages of a 529 plan is its tax efficiency. Contributions are made with after-tax dollars, but the account's growth and qualified withdrawals are tax free. Some states even offer tax deductions or credits for contributions, adding another layer of savings.

For example:

- If you contribute $5,000 to a 529 plan in a state offering a 5% tax credit, you could save $250 on your state taxes

that year.

While $250 may not seem like much, over time, these tax savings can make a meaningful difference—reducing your overall education costs just by choosing the right savings plan.

Investment Options, Age by Age

529 plans typically offer a range of investment portfolios, from aggressive growth funds to conservative options. Your child's age and your comfort with risk will help guide your investment choices.

In the early years (ages 0–10), it often makes sense to invest more aggressively, with a higher allocation to stocks that have the potential for long-term growth. By the time your child reaches middle school (ages 11–15), gradually shifting to a more balanced approach can help manage risk. As college approaches (ages 16+), many families move to more conservative investments, such as bonds or money market funds, to help protect savings from market downturns.

Keep in mind, many plans also offer "age-based" portfolios that automatically adjust the investment mix as your child gets closer to college age.

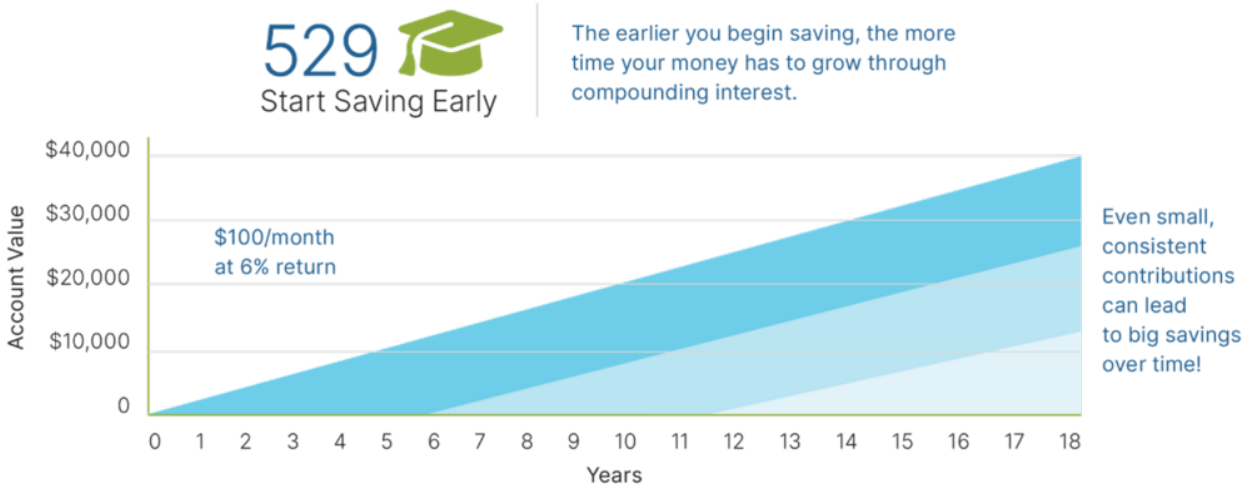
Starting Early

Time is your greatest ally when it comes to compounding growth, so it's ideal to start as soon as possible. Setting up automatic monthly transfers often works better than trying to make larger annual contributions. For example, contributing $100 monthly feels more manageable than coming up with $1,200 at year-end. If you start contributing that $100 monthly at your child's birth, earning an average annual return of 6 percent, you could have nearly $40,000 saved by the time they turn 18. Plus, regular contributions help you take advantage of market ups and downs

through dollar-cost averaging.

Here are a few tips to get started:

- **Set up automatic contributions**: Most 529 plans allow you to schedule recurring deposits, making it easier to stay consistent.
- **Start small**: Even $25 a month can grow substantially over 18 years. Note that some plans do implement minimum contribution thresholds, though these are generally very low.
- **Gift contributions**: Encourage family members, such as grandparents, to contribute to the 529 plan as part of holiday or birthday gifts. College savings works best as a family effort, with everyone pulling together toward the shared goal of providing educational opportunities for the next generation.



What If Your Child Doesn't Pursue College?
Worried about what happens if your child doesn't go to college? 529 plans offer plenty of flexibility:

Change the beneficiary: The account can be transferred to another family member of the beneficiary, such as a sibling,

cousin, grandchild, or even yourself.

Use it for other education-related expenses: Use the money for trade schools or vocational training or put it toward K–12 tuition (up to $10,000 annually, but only in certain states).

Withdraw funds: If the funds are withdrawn for nonqualified expenses, the earnings portion will be subject to taxes and a 10 percent penalty, but the principal contributions are not penalized.

Repurpose the funds: Recent changes in legislation allow up to $35,000 of unused 529 funds to be rolled into a Roth IRA for the beneficiary (subject to certain conditions).

This flexibility ensures that your savings don't go to waste, even if plans change.

Exploring Alternatives

While 529 plans are a popular choice, they're not the only option. Depending on your family's circumstances, other accounts might be worth exploring:

Coverdell education savings accounts (ESAs): These accounts offer similar tax advantages to 529 plans but with lower contribution limits ($2,000 annually per child, subject to certain limits) and more flexibility in investment options.

Custodial accounts (UTMA/UGMA): These accounts allow you to save money in a child's name, which they gain control of upon reaching adulthood. However, earnings are subject to taxes, and the funds can be used for any purpose—not just education.

Each option has unique benefits and trade-offs, so it's helpful to compare them carefully before making a decision.

Building a Brighter Future

Starting a college fund early may seem like a daunting task but breaking it into manageable steps can help you stay on track. Whether you choose a 529 plan, a Coverdell ESA, or another option, the key is to begin as soon as you can and contribute consistently.

Saving for college doesn’t have to be overwhelming. By starting early, taking advantage of tax-advantaged accounts, and making saving a family effort, you can turn today’s small contributions into tomorrow’s opportunities—helping your child chase their dreams with confidence.

The fees, expenses, and features of 529 plans can vary from state to state. 529 plans involve investment risk, including the possible loss of funds. There is no guarantee that an education-funding goal will be met. In order to be federally tax free, earnings must be used to pay for qualified education expenses. The earnings portion of a nonqualified withdrawal will be subject to ordinary income tax at the recipient’s marginal rate and subject to a 10 percent penalty. By investing in a plan outside your state of residence, you may lose any state tax benefits. 529 plans are subject to enrollment, maintenance, and administration/management fees and expenses.

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Making More Happen: Fueling Families with Food, Energy and Diaper Assistance

Liberty Mutual and Safeco Insurance have awarded Allen Insurance and Financial a 2025 Make More Happen Award for its partnership with AIO Food & Energy Assistance (AIO), a nonprofit organization that provides low barrier access to food, energy and diaper assistance with compassion and respect to households across Knox County, Maine. The award includes an initial donation of $5,000 for AIO, which can be doubled to $10,000 by having community supporters vote online.

Starting May 5, the Allen Insurance and Financial and AIO community story will be showcased on the official Make More Happen microsite at https://www.agentgiving.com/allen-insurance-and-financial, where supporters can vote to help the team reach their donation goal. If the featured story receives a mix of at least 500 votes and comments, the $5,000 donation will be increased to $10,000.

AIO plays a vital role in the community, assisting over 10% of Knox County residents in Maine. Each week, more than 450 families rely on the AIO food market, while 750 students benefit from the weekend meals program. In 2024, AIO provided 526 energy assistance gifts, easing the burden for households so they don't need to decide between "heating or eating". The $10,000 donation would provide food for 450 families coming to the AIO market, Weekend Meals for 750 students, diapers for 35 families, and energy payments for approximately 15 households.

“Helping to make our community a better place has always been important to our team, and AIO has given us a way to make a real difference,” said Jill Lang, marketing director at Allen Insurance and Financial. “We are grateful to Liberty Mutual and Safeco for providing much-needed funds to continue their impactful work and thrilled at the opportunity to double the donation just by calling on the community to show their support.”

Allen Insurance and Financial has supported AIO for years through volunteer efforts, fundraising campaigns and community outreach. Since 2020, the Allen team has mobilized volunteers and provided significant sponsorship each year. In 2025 alone, AIO, with the support of Allen Insurance and Financial and others in the community, has collected nearly 2,400 pounds of food and raised $39,000 in donations—enough to sustain AIO’s essential programs through the harsh winter months

“Recognizing independent agents’ dedication to their communities and nonprofit partners is what the Make More Happen Awards are all about,” said Stephanie Davis, Safeco Insurance Senior Territory Manager. “Allen Insurance and Financial is an outstanding example of how agencies can make a real difference, and we hope sharing their story inspires others to give back as well.”

Throughout 2025, Liberty Mutual and Safeco Insurance will select up to 36 independent agencies nationwide for a Make More Happen Award, donating up to $360,000 to nonprofits they support. Agencies become eligible for the award by submitting applications showcasing their commitment to a specific cause.

About Liberty Mutual Insurance

At Liberty Mutual, we believe progress happens when people feel secure. By providing protection for the unexpected and

delivering it with care, we help people embrace today and confidently pursue tomorrow.

In business since 1912, and headquartered in Boston, today we are the ninth largest global property and casualty insurer based on 2024 gross written premium. We also rank 87 on the Fortune 100 list of largest corporations in the US based on 2023 revenue. As of December 31, 2024, we had $50.2 billion in annual consolidated revenue.

We employ over 40,000 people in 29 countries and economies around the world. We offer a wide range of insurance products and services, including personal automobile, homeowners, specialty lines, reinsurance, commercial multiple-peril, workers compensation, commercial automobile, general liability, surety, and commercial property.

For more information, visit www.libertymutualinsurance.com.

About Safeco Insurance

In business since 1923, Safeco Insurance sells personal automobile, homeowners and specialty products through a network of more than 20,000 independent insurance agencies throughout the United States. Safeco is a Liberty Mutual Insurance company. You can learn more about us by visiting www.Libertymutualinsurance.com and www.Safeco.com

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Understanding and Protecting

Your Purchasing Power

Imagine walking into your local grocery store with a $20 bill. Last year, that might have bought you a gallon of milk, a dozen eggs, and a loaf of bread with change to spare. Today, those same items could cost noticeably different amounts and $20 may not cover as much. This everyday experience demonstrates the concept of purchasing power—how much your money can actually buy. Understanding this concept helps you make smarter financial decisions and grow the value of your funds over time.

What Shapes Your Money's Value?

Your purchasing power changes as the economy changes, influenced by various economic factors. Inflation and purchasing power are inversely related—when prices rise, the amount of goods and services you can purchase with the same amount of money decreases. And, conversely, when prices decrease, you can buy more.

Think about buying a car. The same $30,000 that bought a well-equipped sedan five years ago might only buy a basic model today. Or consider housing—monthly rent that was $1,500 a few years ago might now be $2,000 for the same apartment.

Understanding purchasing power isn't just about watching prices go up and down, however. It's about learning how economic changes affect both your spending and saving strategies. This helps you make smarter decisions to protect your money's value in the years to come.

Making Your Savings Work for You

One way to counter inflation and preserve purchasing power is through smart savings choices. Traditional savings accounts offer accessibility, but interest rates can vary widely. High-

yield savings accounts, for example, often provide significantly better returns than standard accounts, while government securities, such as Treasury bills or savings bonds, offer other secure savings options.

For instance:

- If you had $10,000 in a regular savings account earning just 0.1% annually, after five years, you'd earn around $50 in interest.
- By contrast, in a high-yield savings account earning 4% annually, you'd earn about $2,166 in total interest over the same period.

A financial advisor can help you explore savings options that best fit your goals, making it easier to protect your purchasing power over time.

Planning for a Comfortable Retirement

When planning for retirement, understanding purchasing power becomes especially important. A lifestyle that costs $50,000 per year today will likely cost a different amount in the future. Similarly, what you can buy with a $1 million retirement fund today will not equal what you can buy with the same amount 25 years from now.

Your spending patterns in retirement usually shift over time:

- **Early Retirement:** Often marked by discretionary spending on travel and hobbies.
- **Mid-Retirement:** A time when housing needs may shift, perhaps toward downsizing.
- **Late Retirement:** Typically, expenses for health care and support services increase.

Over a retirement that might last decades, changes in purchasing

power could mean that what seems like ample savings now might cover far less in the future. A financial advisor can help you create a retirement strategy that aims to keep pace with rising costs, especially for essentials like health care.

Career Development and Income Potential

Career growth is another way to help protect your purchasing power. For instance, if you start with a $50,000 annual salary, adding certifications or new skills could boost that to $75,000 or more—helping your income keep up with rising costs. Continuing education, professional certifications, and skill development allow you to stay competitive and command higher earnings. Side income from consulting or freelance work can also diversify and strengthen your income.

Building Long-Term Financial Security

Protecting your purchasing power isn’t about predicting economic trends; it’s about staying prepared and adaptable. Understanding financial tools and regularly updating your strategy can make a significant difference.

Taking Action

Start with these steps to better manage your purchasing power:

- **Track Key Prices:** Choose your top 10 most-purchased items, track their prices for six months, and adjust your budget as needed.
- **Shop Around for Savings:** Check savings account interest rates every January to see if higher-yield options could help grow your savings.
- **Invest in Your Skills:** Identify certifications or training that could boost your earning power and set a timeline for earning them.

- **Adjust Your Budget Regularly:** Review your monthly budget each quarter to reflect changes in prices and spending patterns.
- **Meet with a Financial Advisor:** Review your long-term financial strategy on a regular basis to ensure that it keeps pace with changing economic conditions.

Taking small, consistent steps can build up to significant results over time. While you can't control the economy, you *can* take control of your financial future by staying informed and proactive.

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Understanding Maine's Private Insurance Plans for Paid Family and Medical Leave: What You Need to Know Now

The Maine Department of Labor (DOL) has released the requirements for private insurance plans designed to replace the state's Paid Family and Medical Leave program. Once these plans receive DOL approval, insurance companies will be able to present proposals to our customers.

At Allen, we are confident that insurance companies are actively initiating their filing processes. However, the state has yet to provide a timeline for the approval of these plans. We will keep

our customers informed as developments occur.

In the meantime, we encourage you to connect with us for any insights or questions about planning for the PFML for your company.

Uncommon Wealth Building Wisdom – The Benchmark

There is a common trait that shows up on the road to building your wealth. This trait shows up as you continue to add to your investment portfolio. You do have an investment portfolio don't you? And don't even start the blame game when this trait is revealed in just a moment.

Here is what this is all about: in a word, Benchmarks. In and of itself, a benchmark would seem to be an important part of evaluating the performance of your investment portfolio. And, truth be told, if there were actually one accepted benchmark that could be universally applied, that might actually work. But the reality is that investment performance is not so simple.

Get a better benchmark

Instead of always trying to play catchup with an industry benchmark, there is a better strategy. A strategy that will allow you to grow and expand your portfolio over time without freaking out every time you see your portfolio statement.

Lessons From The Diet World

> *You are barely into the entryway of the store before you notice the section with the largest selection of books. Yep, it's weight loss.*

Here's an analogy that illustrates the point being made here. Head into any neighborhood Barnes & Noble or similar bookstore. You are barely into the entryway of the store before you notice the section with the largest selection of books. Yep, it's weight loss. The point for you to see here is that if there were one diet that worked for everyone and every circumstance there would not be such a wide selection of diet books on those shelves.

The exact same concept applies to the world of investing. You can prove this for yourself with a quick Google search. Search for investment benchmarks and you get something like 26 Million Search Engine result pages. Obviously there are not that many ways to measure the performance of your investments, but still, the point should be glaringly obvious.

What "They" Say

Now take a look at the world of investments. Suppose you have a diversified investment portfolio that you have been funding for a few years. What do "they" tell you to look at? Most often, investors are told to compare the performance of their portfolio to that of a major benchmark. You might even discover that your financial advisor is using this benchmark to demonstrate how well you are doing. Suppose your portfolio is being compared to the S&P 500.

Actually, the S&P 500 is a commonly used portfolio performance

comparison benchmark. How does this show up in the real world? Suppose you pay for the services of a personal financial advisor. Your advisor might send you a glowing report this quarter indicating that your investments outperformed the S&P 500. Wow! Your advisor is a genius. How about if you send in some more money?

Hold on a sec! What about the other side of this equation? Suppose, the next quarter you get a different letter. This time your advisor is lamenting the fact that for some inexplicable reason your portfolio lagged the S&P 500. Now what? Is your advisor an idiot? Or is there something else going on here?

Wrong Benchmarks

You see, the reality is that if the last scenario turned out to be true, you might not have reacted so well. In fact, you may have found your self dialing your advisor to find out what the_____ is going on here?

What's going on here is you are engaged in a comparison game that does not make sense over time. As you have probably noticed by now, the market goes up and the market goes down.

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Post from Your Finances Simplified