

# GETTING REAL ABOUT RISK TOLERANCE



Clients rarely understand their own risk tolerance. Most financial advisors remain stuck in the past, using questions designed to assess risk tolerance, only if clients possess a nuanced view of their own tolerances.

There's a better way.

Cornerstone Financial Group, a boutique firm based in California, provides tailored financial planning services to a wide range of clients. The firm does not require a minimum investment from prospective clients, instead taking the view, every pre-retiree and retiree, "needs help," Watkins said. Doesn't everyone need help

and bonds, according to the client's comfort zone."

Accurately measuring investors' risk tolerance allows Cornerstone Financial Group to develop a customized solution aimed at achieving clients' financial goals. A tailored plan also helps their clients weather market corrections and other setbacks, especially when combined with robust client education designed to keep emotions in check and the focus squarely on financial goals and assuring lasting income throughout all stages of their retirement. Craig Watkins says, "There are two ROI's, Return on Investment and Reliability of Income, the latter being most important for people who are close to and in retirement."

possible financial decisions. The firm works to understand clients' financial goals and needs, and refuses to provide off-the-shelf solutions.

"If you were to build your home, you wouldn't just go to Home Depot and start pulling lumber off the shelf... You'd take the time to go to an architect, and plan how much lumber you need to purchase in order to build your home" Watkins said. "We're not cookie-cutting any kind of plan, we look forward to designing custom income distribution plans, to best suit each of our clients."

Financial literacy education – often lacking among clients – empowers investors to understand how their money is working for them. Investors who are thoroughly prepared by their financial advisor can see through inflated return numbers, understand the costs buried in their investment products, and can better assess who to trust with their hard-earned money. This creates transparency every client deserves.

"I don't think there's enough consumer education going on. They need to become more street smart, and they need to know what to look for inside these investments. Our clients don't need to know, or have the time to understand the complexity of all the investment options, however they do need to know some varied key pieces," Watkins said, adding that investors should know whether their investment products are annuities, money market funds, mutual funds, ETF's, UIT's, etc., along with what sort of exit strategy these investment strategies have during each phase of market performance. There is a time to buy and a time to sell.

Cornerstone Financial Group advisors are fiduciaries, meaning clients' interests come before the advisor's interests. This means the firm approaches returns realistically, without hyperbole or promises of return rates that later turn out to be atypical. "We always do what is in the best interest of our client", says Craig Watkins.

"Once we create an income distribution plan, we meet with our clients on a regular basis. We create a summary of holdings and match up with their income distribution plan. We strive to take the retirement portfolio plan, the assets therein, and replace their employment paycheck with a consistent stream of income, for them to pursue their retirement goals with," Watkins said. "We don't over-plan and try to show and inflate numbers... We plan with modest returns, because we know that performance is not a straight line. We need to average out the good years of market return with the off years, or lower market performance."

For more information on Cornerstone Financial Group, visit: [cfgstrategies.com](http://cfgstrategies.com)



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planning their financial future, why put a minimum price tag on this help?"

"I think a lot of consumers are used to hearing advisors say, 'What's your risk tolerance, if you were to measure it from 1-10, where do you think you are?' I think that's an old-school style," says Craig Watkins, managing partner of Cornerstone Financial Group, which uses Nobel Prize-winning software tools to determine client risk profiles. "This software enables us to determine the different measurements of risk on stocks, mutual funds,

"There's nothing we can do with regret. Once you've lost something you can never regain it," Watkins told "Advisors Magazine" during a recent interview. "There is a difference between regret and fear that all investors experience. We educate clients, to address their fears and therefore they experience less regret. Allowing them to make to make informed decisions."

Cornerstone Financial Group works to educate clients so that they are empowered to make the best