BY PETER SUCIU

Combining Education with a Scientific Approach

There is an old saying that "you can't teach an old dog new tricks." But in professional financial planning, education about investing concepts is essential to ensure that clients don't make uninformed decisions when meeting financial challenges.

Certified Financial Planner® Paul Byron Hill looks for a quality of "coachability" in potential clients. While clients need not become expert, they are expected to be knowledgeable in the basics of what matters for success in planning and investing for their lifetime goals.

"They must be smart enough to learn the basics," he said, emphasizing the importance of education. Hill – president and founder of Rochester, N.Y.-based Professional Financial Strategies – relies on research by leading economists, including academics on the board of Dimensional Fund Advisors. "A couple actually wrote today's book on investing. While academic research evolves, Wall Street keeps doing what it did 30 years ago, just in another fashion."

Hill uses an investment strategy drawn from the pioneering work of recent Nobel laureate Eugene Fama to deliver outsized results. Utilizing innovative "multifactor" asset allocations developed by Dimensional Fund Advisors in collaboration with Professor Fama and others, Hill has redefined investing at his firm. By doing so, he has helped his clients not only survive major market declines over the past 20 years, but even thrive because of them.

Given the disappointing outcomes for most investors during and after the Great Recession and the earlier tech bust – which together have been called a "Lost Decade" – Hill's strategies have resulted in solid client results. Hill explained how he began to use a scientific approach after earning an MBA at the University of Rochester's prestigious Simon Business School. "I was introduced to modern financial economics and advanced investing concepts I never understood before, even though I had earned a CFP," he said. "I learned to think in a new way."

How it started

Before Hill earned his MBA, like most financial advisors still do, he sold products using conventional methods, including speculating about "opportunities" or making predictions about stocks, fund managers, the economy and of course, market movements.

Founding Professional Financial in 1993, Hill committed to using a scientific investing approach to planning, a decision criticized by many peers, accustomed to "tried and true" ways. Hill said that his new direction in investing was based on decades of academic empirical research, including that of Professor Fama and his collaborator, Professor Kenneth French, whose PhD was also from the Simon School. Having seen for

Paul Byron Hill CFP®

didn't work very well, Hill broke with tradition. His early advisory mistakes taught him that forecasting for investing a lifetime of wealth for some people was not smart – and unlikely to maintain the trust so essential for client advisory relationships.

Wealth management is not only money management

For Hill, central to successful wealth management is teaching clients about making smart decisions about money. "Wealth management is an overused term by financial advisors today," Hill added, suggesting, "It's often confused with money management, which is a product delivery method focused on "winners" and "losers." Wealth management is a comprehensive approach that also includes mitigating taxes, taking care of heirs and protecting assets from loss."

Wealth management is more of "a long-term process for achieving a client's needs, goals, and dreams," Hill stressed. "Money management focuses on performance and the short term."

In addition to coachability, Hill looks for integrity in his clients – in the sense that they possess the character and maturity necessary to commit to a long-term investing approach.

"Our clients were well prepared for the panic and events ending in a Great Recession," Hill said. "Because they were disciplined and committed to their investment strategies, they not only recovered their losses, but five years later, they're back on track for their long-term goals."

Hill decided soon after founding his firm to use a fee-only approach rather than popular commission-based method for providing services. This newer practice is being adopted today by more advisors, since it allows clients to better understand what they're paying for.

Key concern of the affluent

Planning to preserve money as well as growing wealth is another key differentiator in Hill's investing approach. Hill told the Suit that Professional Financial serves as the chief financial officer for its clients, which include affluent professionals, physicians and retirees.

Most clients approaching retirement age are concerned about preserving their wealth. That includes needing reliable outcomes they can plan for. Performance is usually secondary, says Hill.

"For many, their concern is not about getting rich," he said. "They're already wealthy. What they're really concerned with—or should be concerned with—is that they never die poor."

Hill said that for a successful financial experience, investors must learn not to dwell on chasing returns, but to focus on things they can control, like spending, saving, taxes and expenses. "A single big mistake can ruin years of even the best returns. Rule number one is: don't make mistakes."

Hill offers a complimentary "Second Opinion Service" for clients' family and friends, especially since so many investors today are feeling unsure about the advice they get from their advisor.

"The first meeting is a series of questions to explore whether we're the right firm to accelerate their financial success," Hill said. "After reviewing their information, we decide if we can make a major impact. If not, we point them in the right direction to others that may be a better fit. It's a win-win for everyone."

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