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I started with $224K in December 2021, and now have just $195K. So I need to know: Is my adviser even making good decisions?

Alisa Wolfson || October 17, 2023

Are you and your adviser communicating effectively? GETTY IMAGES/ISTOCKPHOTO

Question: I need to find out if the adviser I have had for the past two years is making the best decisions. Are everyone else's investments not moving in a more positive direction? I started with $224K in December 2021 and now I'm at $195K in September 2023. What should I do?

Answer: In the broadest sense, this kind of loss over that time period didn't set off major alarm bells for the pros we spoke to — but it did raise questions about whether you and your adviser are able to communicate effectively.

Indeed, December 2021 marked the most recent high in the stock and bond markets, so it's not unusual for your account to be down since that time, says certified financial planner James Daniel at The Advisory Group. "While the stock market has rebounded a bit this year after a rough 2022, it's still a ways off from reclaiming the 2021 high," says Daniel.

Have an issue with your financial adviser or looking for a new one? Email questions or concerns to picks@marketwatch.com.

But you should dig a little deeper. Ideally the adviser you're working with helped you develop a comprehensive financial plan that includes budgeting, retirement planning, investment planning, tax planning, estate planning and insurance planning, that you both evaluate and revise on an ongoing basis. "One purpose of a comprehensive financial plan is to identify your need for risk and your willingness to take risk. The process of developing and updating your plan along with your risk considerations provide the context for determining an Investment Policy Statement (IPS), which serves as the guide to how to construct your portfolio and monitor its performance," says Eric Ross, certified financial planner at F2 Wealth.

Certified financial planner Anthony Ferreira at WorthPointe Wealth Management says that while the "results you've experienced do not raise concern for me" this does depend to some degree on "the conversation you had with your adviser about what kind of investments you wanted and were comfortable with." He adds: "It is possible that your adviser didn't do a good job explaining the risks associated with investments or investing, but it's not reasonable to think you can avoid losses when virtually all major asset classes experience declines," says Ferreira.

Compare your investments to a benchmark

After you've determined how aggressively you're invested, compare your performance to a blended benchmark. "Let's say you're invested in a globally diversified portfolio of 60% stocks and 40% bonds, calculate how a portfolio like that should have performed since January 1, 2022 using a stock benchmark like the MSCI AC World Net Dividend Reinvestment Equity Index and a bond index like the Bloomberg US Aggregate Bond Index," says certified financial planner Brice Primeau at Summit Wealth Advocates.

If your adviser hasn't provided you with a performance report, ask for one that shows how your portfolio has done compared to an appropriate benchmark for the time period in question. "The simplest comparison is to look at benchmarks of the general market like the S&P 500. From December 2021 to September 2023, the S&P 500 was down around 3.61% or 2% annualized on a total return basis which includes dividends," says Mark Struthers, certified financial planner at Sona Wealth Advisors.

You can also go online and check benchmarks yourself. "If you're in a portfolio of 100% stocks, this is an easy assessment to make. Compare your returns to the returns of a stock index fund such as the Vanguard Total Stock Market Index and make sure you're comparing your returns to the fund's total return including dividends, not just the price of the fund," says certified financial planner James Kinney at Financial Pathway Advisors.

If you're in a moderate risk portfolio, it might be more appropriate to compare your performance to a fund like the Vanguard Balanced Allocation Fund and if you're in a conservative portfolio, you can compare performance to the Vanguard Total Bond Market Fund or the Vanguard Lifestyle Conservative Allocation Fund, says Kinney. "Just remember it's normal for a portfolio to behave differently than its benchmark over short periods of time, but if you consistently underperform quarter after quarter, it's okay to question your adviser," says Kinney.

Ask yourself: Do you and your adviser communicate well?

If your adviser isn't able to provide forthcoming answers to your questions, it may be time to find a new one. "Four questions you should ask that are more important than indexes are: Does the risk-return help you reach your goals? Does the risk-return profile match your risk capacity as well as your risk tolerance? Are you being rewarded for the risk you're taking on? Are the fees reasonable for what you are getting, including financial planning and coaching?" says Struthers.

Bottom line: Remember that it's natural and expected to experience a portfolio being down in a down market, especially if you want long term returns. "You can't see the return show without the risk ticket. Risk is the price of admission. With your portfolio being down 13%, it should have a great amount of upside return potential when the market rebounds. If it doesn't due to fees or mismanagement, your adviser isn't doing their job," says Struthers.

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