

To Your Wealth Update

News & information to contribute to your financial peace of mind



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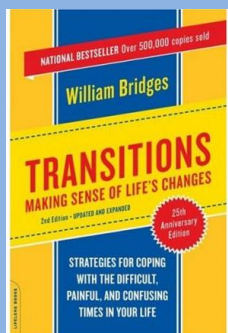
Prepare for realities of real estate transitions By Justus Morgan, CFP®

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Over the last three years, can you guess which has declined the most, stock prices or home prices? You may be surprised to learn Racine area real estate values have declined more than stocks based on average home sale prices compared to the S&P 500 U.S. stock index.

Since we don't receive monthly statements indicating the value of our homes, the declines in prices are not nearly as noticeable as the losses we see printed on monthly investment reports.

Another major difference between selling stocks versus real estate is the emotional attachment we often have to our homes, which can alter our perception of value. It's natural to imagine our homes are worth more than the average home because we've taken good care of them and we appreciate the extra touches we personally added that contributed to the value.



To add objectivity to home-selling considerations, it's helpful to view the transaction through the lens of managing a transition. An excellent model is William Bridges' book, "Transitions: Making Sense of Life's Changes." Bridges divides transitions into three stages which could be applied when selling your house.

The first phase is actually recognizing "endings" which, in the case of real estate, involves the psychological and physical preparation for the sale. You'll consider what you'll be leaving behind or giving up. You come to awareness, peace, and reality with what is changing.

The next transition phase is the "neutral zone" during which you experience the uncertainty around leaving the known for the unknown. The final phase, or "new beginning," occurs when you resolve the uncertainties and truly settle into your new home.

While Bridges' work provides a great foundation for mentally dealing with the real estate transition, I also spoke to several local Realtors for some practical guidance. Local Realtor Dan Gobis said "the greatest



determining factor in the sale of your house is the price." The best determinant for calculating the price on your house is to look at comparable sales of similar homes (based on size and style) in the past six months.

Realtor Julie Lang with First Weber Group offered some additional thoughts such as obtaining preapproval from a mortgage lender because they are tightening lending standards, and preparing a list of needs versus wants for what you're seeking. Some items may be non-negotiable (e.g. three bedrooms or ranch style), so these would be on the needs list. Other items (such as first floor laundry or three-car garage) may be nice but are not required, so they would be on the want list.



A rose by any other name

“What’s in a name? That which we call a rose, by any other name would smell as sweet” – Juliet to Romeo.



This line from Shakespeare means what matters most is what something actually is, not what something is called. This concept should be applied when hearing the terms fee-only and fee-based used in the financial services realm. Knowing the difference between what something is

called and what something *actually is* can be beneficial when researching the type of financial advisor you want.

“One of the key questions to ask is how the advisor is compensated,” said Mike Haubrich, FSG’s president and senior planner. “A fee-only advisor doesn’t collect commissions of any sort from any source.”

A fee-based advisory model, on the other hand, means the advisor can collect a combination of fees for advice and commission income from products he/she sells to clients.

“Fee-based advisors could be incentivized to refer or recommend a certain product over another one, not necessarily based on what’s in the client’s best interest, but on the amount of

commission that could be realized,” added Justus Morgan, vice president and senior planner at FSG. “This introduces an increased potential for conflicts of interest to occur.”

The National Association of Fee-Only Financial Planners (NAPFA) has prepared an excellent field guide that provides additional information and questions to ask your advisor. Download it today from our website www.ToYourWealth.com/fee_only_planning

Upcoming slate of workshops announced

Watch for more information about our upcoming workshops. Mark your calendars!

April 21 – Personal Sustainability: Planning for and Coping with Change

May 24 – Career & Financial Planning for your Soon-to-be-Graduate

June 7 - A Review of Investment Philosophies

August 9 – The Process of Transition: Planning & Managing Inevitable Changes

September 13 – Charitable Giving Strategies

October - TBD

November 10 – The Influence of our Money Scripts

Workshops are held 6:30 to 8 p.m. unless otherwise noted. Limited seating is available so watch for notices and calls for registration on our website, in future *To Your Wealth Update* issues and on Facebook.

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