

Keeping Secrets From Your Financial Advisor Affects Your Retirement

By Ellen Chang | 06/17/15 - 07:00 AM EDT



NEW YORK ([MainStreet](#)) — Stretching the truth by avoiding uncomfortable topics in discussions with your [financial advisor](#) usually means consumers are either spending too much money or not saving enough.

Some people [consider a financial advisor their confidant](#) or even a therapist, while others refrain from opening up. Many clients tend to omit key elements and “neglect to tell us their entire financial story,” said Brian Beasley, a financial services representative based in Columbia, S.C. for MetLife, a financial planning firm.

While some of these omissions are basic, others are more intricate details that could effect [retirement planning](#) in a big way. A survey conducted by The Principal Financial Group, a Des Moines, Iowa financial investment company, found that clients are most likely to stretch the truth about “living within their means.” In 2014, 67% of people said they lied about living within their means, while 48% didn’t tell the truth about debt and 32% lied about their risky financial behavior. That deception could spell trouble for retirement investors who are not being completely forthcoming about their finances.

<http://www.thestreet.com/story/13188241/1/keeping-secrets-from-your-financial-advisor-affects-your-retirement.html>

Hidden Topics

Many consumers, [even ones who earn six figures](#), fail to create a budget for their household. While many clients may claim they are saving 20% of their salary, many of them are spendthrifts and are deceitful about their purchases, said Mike Chadwick, CEO of Chadwick Financial Advisors in Unionville, Conn. Too many of Chadwick's clients cannot even keep track of the amount of debt they are accruing to furnish and [remodel their homes](#), [purchase new cars](#) or items for their kids.

"This generation spends so much money on housing that it's incredible," he said.

One of his clients buys new furniture frequently such as new living room sets -- dropping \$30,000 every two years or so. This Connecticut couple earns \$400,000 combined each year, but have accumulated \$500,000 in debt from just remodeling the kitchen, buying furniture and other items.

"They can't account for it, because they are not keeping score," Chadwick said.

Some of his clients, [regardless of their age](#), are big spenders as "shopping has turned into a form of a therapy and they must get the rush," he said.

Too many people are spending money that they do not have, which "leads to path of destruction," Chadwick said.

While some people think they are sly and their dishonesty goes undetected, the duplicity is easy to uncover by examining their income level. If a person earns \$300,000 and takes home \$220,000 after taxes, but is only saving \$500 a month, he's spending too much money on vacations, weddings or extravagant items.

"It's mindboggling to think how wasteful people are," he says.

Others leave out the amount they are allocating in a 401(k) or IRA. What's even worse is that many people avoid mentioning how many retirement accounts they have.

Too many people remain unaware and lackadaisical about their finances, including the amount of debt they have from [car payments](#), [credit cards](#) and [mortgages](#) or how much [insurance](#) they have on their cars and home, Beasley said.

"Sadly, I think many people are ill-informed and haven't taken on the responsibility of understanding their financial position and learning all they can about personal finance,"

he said. "It's something that is put on the back-burner as life gets in the way, or they are too scared to face the music and end up letting the problems compound due to inertia."

Maintaining a secret bank account is not uncommon, especially among self-employed people who keep greenbacks in a safe or under the mattress, Chadwick said. Others keep a secret stash of cash because their spouse or significant other is a shopaholic.

Some couples view their future from different perspectives, said Beasley. Instead of working toward the same goals, they need to communicate their individual ideas to accomplish their objectives.

"They need to make sure they are both living within their means and saving for the future in a prudent, regular fashion," he said.