

The Purpose of Vehicles: Determining Yours, Part II

Recently, I was in an unfortunate situation where my “reliable” vehicle started to need constant attention and I had to decide whether to keep it or purchase a new one. This germinated into an idea of how you can approach both the automotive and financial worlds using similar tactics. With this in mind, I am writing a series of articles to share my insights.

This is the second of three articles. Here we look at determining your buy-in cost and assessing the emotional impact of prestige. This is what I like to refer to as “the Toyota Camry vs. BMW 320i question.”

Before I start, let me state that the point of this article is to show the thought processes that go into buying a vehicle and/or evaluating whether you want to work with a financial advisor (not to speak negatively about or look down on any particular brand or those loyal to that brand.)

Let’s start with the Toyota Camry. In the financial world, this would be a financial advising model whereby you decide whether you want/need to seek the expertise of a financial professional to manage your portfolio.



The Categories:

Do or Fix It Yourself Option – This model vehicle would be great for adaptations if you are a person who likes to adapt your vehicle as your needs grow. It is also very adaptable to an individual’s personality such as how your vehicle will look and the amount of risk you are willing to take. In a financial advising model, the advantages of this option are that you would be in direct control of your portfolio’s performance and that you would have knowledge of *what* as well as *why* you were investing in something without having to ask someone else.

Compromise Vehicle – The Toyota Camry could be considered a compromise vehicle of sorts because this particular vehicle is not generally rated as the best in any one category but can be very versatile in many categories. When selecting a financial advisor, that might mean that you pick an advisor that has a wide knowledge base of what the market is doing. This type of advisor will be able to give you important updates on what they believe the market will look like in a future tense.

Purpose Built Vehicle – The Toyota Camry requires time and knowledge to turn it into the type of vehicle that you want it to be. Additionally, since these particular vehicles are not as purpose built as others, they can be adapted quickly and easily. If you are making decisions about financial advising, you would seek to find a financial advisor that is strong or has knowledge in a sector that you want to perform well in.

Buy-In Cost – Once you determine what category you want to aim for, the Toyota Camry is normally a very cost effective vehicle when compared to alternatives in the market. Likewise, when making a decision about whether to work with a financial advisor you will want to assess cost effectiveness. This is translated into how much time investing will cost you and how much money it will take to maintain your portfolio.

The BMW 320i is most similar to a managed portfolio where you hire someone to take care of your needs as they arise.



The Categories:

Do or Fix It Yourself Option – Although it can be modified, it would be difficult to modify this vehicle given the complexity of how it operates. If you are a do-it-yourselfer, this type of model may not be your best option (unless you have a high knowledge base in the industry). Same goes for the financial industry. If you have decided that the managed portfolio model works for you then the “do it and fix it yourself” model will no longer be necessary.

Compromise Vehicle – The BMW 320i is not a compromise vehicle because this particular vehicle has a set goal: performance. The same is true for a managed portfolio model, which is generally designed to achieve a goal like retirement.

Purpose Built Vehicle – The BMW 320i and a managed portfolio are purpose built to adapt through equipment upgrades or access to specialized markets. This is good model for the risk takers as well as conservatives who like to be in markets that are more **exclusive**.

The Buy-In – This type of vehicle, while not normally as cost effective as some alternatives, generally has better brand association. In other words, this choice will tick the checkbox indicating that everything is taken care of for you. This “**prestige**” may be the determining factor in your choice because it creates an

emotional tie to this product/service. An example of which is BMW's slogan "The Ultimate Driving Machine" or our slogan "Growing Enduring Wealth for Discerning Families since 1982."

Looking at a purchase or buy-in in this manner will help you determine what it is that you are actually looking at and why it is the best choice for you. Ultimately this decision will correspond to what you as the buyer actually need and how you will justify what level of "vehicle" you need.

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