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Should You Fire Your Financial Advisor For Doing Too Well in 2014?

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You had a great 2014. Your portfolio went up an astounding 17 percent, and now you're racking your brain deciding whether to thank your wealth adviser with a bottle of Yamazaki or Pappy VanWinkle.

I have a better idea, something you probably haven't thought of:

Give him a pink slip.

That's right. Fire the guy.

He was playing Russian roulette with your money

You need to get rid of him —or her —and you need to do it now, because if your portfolio went up 17 percent last year, your wealth adviser didn't focus on the one thing he assured you was his greatest concern: downside protection. If he managed your money properly, using non-correlated assets to ensure stability and focusing on risk as well as upside potential, then it was mathematically improbable to generate such an outstanding return.

Good advisers know that you always need a portfolio that contains non-correlated assets, ensuring that everything doesn't go up and —more importantly —that everything doesn't go down. And that was even more important at this time last year, when, due to the global slowdown, we were staring at a tremendous assault on corporate earnings.

History has taught us that at the beginning of any 12-month period, stocks have as good a chance of gaining 44 percent as they do of losing 25 percent. What's the chance that your wealth adviser can tell you with certainty where the market will be in 12 months? It's about as good as your palm-reader's.

So if you had sky-high returns last year, your adviser was guessing. And I'm guessing you didn't hire him to make guesses. He ignored your need to have downside protection. He wasn't looking out for you.

People seem to think wealth advisers have crystal balls that tell us exactly when the market will go up or down, and that we know exactly when to jump in or out. But it just doesn't work that way. There's no magic bell that rings when it's time to drop stocks and invest in bonds, or to dump real estate and get into gold. And you should run — fast — from any adviser who tells you there is.

Sure, the S&P 500 had a good 2014 — and if you had all or most of your money invested in the stock market, you did too.

But what were you doing with most of your money in the stock market? What if stocks had had a *bad* year? What then?

Our greatest responsibility as wealth advisers is to protect you from major drawdowns in your portfolio. We're here to make sure that when the stock market stumbles, you don't fall — and we do that by managing a balanced portfolio with diversified investments in non-correlated assets.

This means making sure you have a piece of the action not only in U.S. equities, but also in international stocks, corporate bonds, senior rate floating notes, real estate, gold and silver, managed futures, hedge funds and collectibles—a host of non-correlated investments designed to achieve lower risk.

Last year, almost every non-correlated investment to the stock market produced far lower returns than the S&P 500. If you had them in your portfolio, they reduced your return —but they also substantially reduced your risk. If the S&P had stumbled, you might have stubbed your toe. You wouldn't have broken your leg.

We all love good times, but the biggest part of our business is ensuring that you don't go bottoms-up in bad times. You may not have a fabulous year, but you might still have a very good one. And you'll greatly reduce the risk of having a horrible year that could take years to recover from. You'll give yourself the best chance of achieving solid, steady growth.

The world's economy is unstable. Events could unfold at any time in China, Russia, Europe or Japan that could lead to a rapid decline in stocks. A good adviser builds a portfolio with different risks. If yours put all or most of your wealth into stocks in 2014, he was ignoring the geopolitical issues in the world. Essentially, he was playing Russian roulette with your money.

So if you're beating up your wealth adviser because your portfolio didn't grow like the S&P, step back and think for a minute. He probably did his job well. He gave you a properly managed portfolio that contained some investments that did poorly. He made sure that when one investment went up, there was another that went down. He designed a portfolio that included non-correlated investments.

If your adviser truly cares about your financial well-being, he'll be looking for a solid annual return on your portfolio, but not a huge one. It sounds funny, but he needs to make sure that there's something in there that won't do well in good times, because if everything goes up in a good year, everything will go down in a bad one.

If you had a well-balanced portfolio last year, then you should have seen growth in the neighborhood of 11 percent. If you saw 17 percent, you got lucky. Your adviser guessed well.

But he was guessing nonetheless.

So now is the time to get smart, not lucky. Fire the guy who got you that 17 percent. Because here comes next year.