

8 Essential Questions to Ask When Choosing a Financial Advisor



Selecting a new financial advisor can be difficult, but it doesn't have to be. Ask the 8 Essential Questions in this guide as you interview prospective financial advisors.

| | |
|---|----------------------|
| <p>1. Will you act as my fiduciary at all times, in all transactions? Will you sign an agreement stating this?</p> <p>i This is the most important question of all. Ask this before scheduling an initial meeting. If the advisor will not act as your legal fiduciary or sign such an agreement, keep looking.</p> | <p>Notes:</p> |
| <p>2. What are your qualifications and commitment to professional standards?</p> <p>i An advisor's formal educational background—both what they studied and where they went to school—may provide insight into general intelligence, knowledge, and problem-solving ability. Additionally, there are many credentials advisors can achieve, which provide further insight into specialization and commitment to ongoing education.</p> <p>Their minimum financial credential should be the CERTIFIED FINANCIAL PLANNER™ (CFP®) designation.</p> <p>A financial advisor must have a commitment to ethical behavior and high professional standards. This is often displayed by membership or affiliation to one or more professional organizations, such as the National Association of Personal Financial Advisors (NAPFA), Financial Planning Association (FPA), or National Association of Estate Planners and Councils (NAEPC). See if complaints have been filed against the financial advisor you are considering. For unbiased information about advisors, go to AdviserInfo.SEC.gov; for information on the advisor's business, go to BBB.org; for CFP® professionals, go to CFP.net.</p> | <p>Notes:</p> |
| <p>3. How are you paid? Do you receive any additional compensation or financial incentives for recommending certain investments or referring me to an insurance provider, attorney, CPA, or other professional?</p> <p>i Typically, fee-only firms charge between 1 to 1.5 percent of assets under management and reduce their fees for larger balances. You want to look for an advisor who is fee-only, not fee-based, and accepts no commissions or kickbacks from any third-party.</p> | <p>Notes:</p> |
| <p>4. Do you use a third-party custodian, such as Charles Schwab, TD Ameritrade or Fidelity to hold my assets?</p> <p>i The fiduciary advisor should have a third-party custodian. Common custodians for fiduciary advisors are the companies above. The custodian generates separate account statements and holds your assets safe. If the advisor generates their own statements and you will not receive confirmations from a third-party custodian, find a new advisor, quickly.</p> | <p>Notes:</p> |

| | |
|--|----------------------|
| <p>5. What is your investment philosophy?</p> <p>i Can they explain it to you in a way that you understand? Does it seem logical and evidence based? Or does the advisor rely on their special abilities and skills to "beat the market?" This is a good test for how they will explain other complex topics.</p> | <p>Notes:</p> |
| <p>6. What is your process for working with clients? How often will we meet? Will you be the only person working with me?</p> <p>i A financial advisor should have a process for onboarding a new client and a process for tracking goal achievement over time. At a minimum, your advisor should meet with you once or twice a year to do four things:</p> <ol style="list-style-type: none"> 1. Set annual goals; 2. Rebalance your portfolio; 3. Check the progress of your financial plan; 4. Create a year-end tax strategy. <p>They should also be available to answer any just-in-time questions, such as leasing vs. buying a car or refinancing a mortgage. If the advisor works on a team, ask yourself if you feel comfortable with the other advisors. Determine how you will know who to call when a question arises.</p> | <p>Notes:</p> |
| <p>7. Who is your ideal client?</p> <p>i Does their ideal client sound like . . . you?</p> | <p>Notes:</p> |
| <p>8. Why are your clients successful?</p> <p>i Evaluate how the advisor answers this question. If they only talk about their investment performance, they probably do not go in-depth with their financial planning. A solid financial plan covers: financial position, protection planning, investments, tax planning, retirement planning, and estate planning.</p> | <p>Notes:</p> |