

10 Questions To Ask When Choosing A Financial Advisor - Forbes

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[Laura Shin](#)

I cover Bitcoin, blockchain, fintech, personal finance and career

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When people think of their money and how it is managed, they often zoom in on one metric — how well their investments performed compared to the broader market.

But a [new survey](#) reveals that another big factor determines whether someone is satisfied with his or her investment firm: the financial advisor.

“The study finds that there are two elements beyond investment performance separating firms with high satisfaction from those with low satisfaction: the person that investors credit for their investment performance and the relationship investors have with their advisor,” said Craig Martin, director of investment services at J.D. Power & Associates, which conducted the study.

When it comes to our money, how well our investments do is out of our control — as they say, past performance is not an indicator of future results. But, who we choose to manage our money is.

For that reason, you’ll want to search and vet all candidates carefully. Here’s how to find an advisor who is a good fit for your money needs.



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How to Find the Right Candidates

Start by asking friends and family for referrals, says Minneapolis-based certified financial planner [Sophia Bera](#) and, in particular, get recommendations from people whose financial needs, outlook or stage of life is similar to yours. Before contacting planners, look them up online and on [LinkedIn LNKD +0.05%](#) to get a sense of what each firm is like. Something as simple as the photos on their homepages can indicate which ones are targeting your demographic.

Also, search for a planner directly on the sites of the [Financial Planning Association](#) and the [National Association of Personal Financial Advisors](#). The advisors on the latter organization's site are fee-only, meaning they will not earn commissions for selling you specific investments but simply charge you a rate, usually based on the assets you put under management. Many experts say that a fee-only advisor is preferable, to eliminate conflicts of interest and ensure he or she always acts with your best interest at heart.

But there is one case when you may not want a fee-only advisor, says Bera — and that's if you want him or her to also help you with annuities, life insurance or disability insurance — basically, other investment vehicles besides stocks, bonds, mutual funds, etc. If so, look for a firm that has a broker-dealer. "They'll get a commission [for selling you those products]," says Bera, "but some people want a firm that has a broker-dealer so they don't have to go to someone else for disability or life."

Once you've gotten a list of potential advisors, take one more step before setting up appointments to meet: Find out

whether each has ever been disciplined for any unlawful or unethical behavior. You can do this using the Financial Industry Regulatory Authority's (FINRA) [BrokerCheck](#). You can also look the advisors up on the [CFP Board's site](#), to verify that they each have CFP certification status.

When you have your initial interview, here are the questions you want to ask:

1. How do you charge for your services, and how much?

If you didn't see this information on the planner's web site, ask whether there's an initial planning fee, whether they charge a percentage for assets under management, or whether they make money from selling you a specific product. Not only should you know how much the service will cost you, but it can help you determine whether they have an incentive to sell you things.

2. What licenses, credentials or other certifications do you have?

Of the [four main types of financial advisors](#), the certified financial planner (CFP) designation is harder to achieve than Chartered Financial Consultant (ChFC), because the former requires a comprehensive board exam; the latter, however uses the same core curriculum. If you want someone to manage your money, then look for a registered investment advisor (RIA). If you have a high income or a small business owner, you'll probably want a certified public accountant (CPA), who can offer you advance tax planning. The personal financial specialist (PSF) certification is usually obtained by CPAs who want to demonstrate they can help clients with comprehensive financial planning.

3. What services do you/does your firm provide?

Implicit in this question is also what assistance the advisor will not give you. "Some people are just investment advisors and only provide you advice on your investments," says Bera. "Other people do comprehensive financial planning around retirement, insurance, estate planning and tax planning." Go with someone whose offerings suit your needs.

4. What types of clients do you specialize in?

Some financial advisors have a niche, says Bera, and if you have a specific interest — such as charitable giving or socially responsible investments or if you're a newlywed or recently divorced — you'll want to find one that concentrates in that area too.

[Edward A. Wacks](#), a CPA and CFP affiliated with [Ameriprise Financial AMP -0.24%](#), says, "Most advisors tend to focus on people within 10 years of their age." He for instance, focuses on soon-to-be retirees because he's 61, and business owners because he has his own business. "I feel we have some commonality, and I understand their issues," he says.

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5. Could I see a sample financial plan?

There is no one set structure for a financial plan, which means there is wide variation. “Some people might give you 50 pages of stuff you don’t understand like charts and graphs, and another planner might provide a five-page snapshot of your financial situation,” says Bera. “With a sample, you can say, ‘I really want that in-depth analysis,’ or ‘I don’t understand that.’”

6. What is your investment approach?

If you have a strong preference for a particular philosophy, ask the advisor what his or hers is. For instance, if you prefer to use low-cost funds, you can ask whether they plan to use actively managed funds or passive investments. Wacks gives an example of the kinds of differences in investment philosophy that can arise: “I say to the client, ‘I’m not here to make you a lot of money. If you want someone to do that, and trade stocks back and forth, then I’m not the person. If you’re looking for someone who makes investments consistent with your risk tolerance and goals, then I can help you.’”

7. How much contact do you have with your clients?

“Some of planners hold an initial planning meeting and then you see them once a year, and that’s all you get,” says Bera. Others might have quarterly check-ins. “Some clients just want to go over everything once a year and then they’re good. Others are looking for more support, so it depends on the amount you want to pay, and how involved you want your planner to be. Are you a delegator? Or do you expect your advisor to explain things to you?” If you’re not sure of what you’ll be comfortable with, the J.D. Power & Associates survey found that investors contacted 12 or more times a year had the highest rates of satisfaction with their advisors.

8. Will I be working only with you or with a team?

This question will also help you see how often you’ll be in touch with your advisor. “Some will say, ‘I’ll meet with you once a year, but Gina will reach out to you regularly and is my right hand person and does a lot of data gathering for me.’ Some companies have a team approach rather than an individual approach,” says Bera, adding that one isn’t better than the other. “It’s really whatever your preference is. But I wouldn’t want someone to get into a relationship and say, ‘I only see my advisor once a year, and I thought I’d be seeing him more often.’ Then others really like the team approach because they know if their planner is on vacation, they can still get an answer right away.”

9. What makes your client experience unique?

“Basically, ‘Why do I want to work with you?’” says Bera. “And people should be able to answer that.” This will also give you insight into whether their strengths are the ones you seek in a planner. For instance, she would tell clients, “I’m your financially savvy best friend,” and explain that her focus is on using their money to match their values. This pitch would appeal to some clients, but not ones who, for instance, are out to maximize returns in the market.

Finally, there’s one last question you want to ask of yourself after meeting with a potential planner:

10. Did he or she ask me questions and seem to be interested in me?

“Does he or she talk 90% of the time?” says Wacks. “If it’s more like 60/40 and he has asked you how he or she can help you, that’s really important. Financial planning about looking at the person’s individual circumstance instead of punching in some numbers — it’s based on the client’s goals, financial background, what they believe about money, etc.”

Photo: [Ano Lobb](#)/Flickr

Laura Shin is the host of the [Unchained](#) podcast ([iTunes](#), [TuneIn](#)) and author of [The Millennial Game Plan](#) and [Money Hacks](#). Disclosure: I own a small number of Bitcoin.