

How to Choose a Financial Advisor

There are many options to consider when selecting the right financial advisor. Whether you are searching for an advisor to provide ongoing management of your portfolio or seeking to create a financial plan, there is an advisor who can help fulfill your financial needs.

You should begin by considering your objectives – your short- and long-term goals, the level of assistance you are seeking, and how much risk you are comfortable with when investing. Establishing clear objectives will help narrow down your list of potential advisors to those who best fit your needs.

In addition, consider seeking recommendations from friends and family, or consult your CPA, as he or she may provide a referral to a trusted financial advisor.

As you research potential financial advisors, here are a few key considerations:

Investment Philosophy

Find an advisor whose investment philosophy aligns with yours. Your ideal financial advisor will take the time to learn your objectives, stage of life, risk tolerance, and liquidity needs to create the right portfolio and financial plan for you. Many people also seek an advisor who they connect with on a personal level, as this is an important cornerstone in developing a trusted relationship with an advisor.

Are They a Fiduciary?

Be sure to ask prospective financial advisors if they are a fiduciary. The fiduciary standard of care, specifically the Investment Advisers Act of 1940, requires that all investment advisors act solely in the client's best interest when offering personalized financial advice and money management. Some certifications also require advisors to abide by the fiduciary standard, such as CFP® professionals.

Qualifications

It is important to review the qualifications of financial advisors. The title “financial advisor” can be used broadly; review an advisor's credentials as a helpful indicator of their knowledge, experience, and ethical standards.

BrokerCheck and the Investment Adviser Public Disclosure website are free tools to review the professional backgrounds of financial advisors and their custodian – such as verifying their registration and reviewing any disciplinary actions against them. A custodian is the company where your assets are physical held, often a financial institution such as a brokerage firm or bank.

To search on BrokerCheck, visit: <https://brokercheck.finra.org/>

To search on IAPD, visit: <https://adviserinfo.sec.gov/>

You may consider seeking assistance from a CERTIFIED FINANCIAL PLANNER™ professional. CFP® professionals must meet the CFP Board's rigorous certification requirements – requiring at least two years of financial planning experience, completion of comprehensive curriculum and an exam, and commitment to a code of ethics and standards as enforced by the CFP Board.

To search for CFP® professionals in your area, visit: <https://www.letsmakeaplan.org/find-a-cfp-professional>

Asset Allocation

Ask prospective financial advisors what asset allocation they will be using. The portfolio strategies implemented should reflect your goals, risk tolerance, time horizon, and tax implications – to create a portfolio tailored to you.

Investment Benchmarks

Investment benchmarks provide the standard with which an advisor may measure portfolio performance. Ask your prospective advisor what benchmarks they use as using the appropriate benchmarks when constructing your portfolio and analyzing its performance is an important element of the investment process.

Tax Implications

While a financial advisor does not provide tax advice, your advisor should educate you regarding the different tax rules and implications associated with various account types and transactions. They should help ensure you make informed financial decisions concerning your portfolio and assess the ongoing tax implications of your plan.

Cost

Inquire how your advisor is compensated. Most fiduciary advisors charge fees based on the percentage of your assets under management or by hourly rates. Your fee structure may also be based on the type of services provided. Under certain circumstances, a commission-based fee structure may be most ideal.

In addition, inquire what your all-in costs will be. This cost may fluctuate depending on the level of assistance, account size, and applicable taxes. It is also important to keep in mind that some advisors have a minimum investment amount.

Schedule a Consultation

Once you have narrowed down your options to 2-3 prospective advisors, set up a consultation appointment with each. Many advisors will offer a brief complimentary consultation designed to review your financial situation and discuss their advisory process. This can help you to determine if the advisor is the right fit for you. If you are not able to find the information discussed above in your preliminary research, be sure to ask these questions during your appointment.