

# brinton eaton

beyond wealth management



**Finding the Right Financial Advisor for You!**  
*Questions to ask and some practical advice*

# Finding the Right Financial Advisor for You!

## Questions to ask and some practical advice

**B**efore you hire a financial advisor to help you with your financial planning and investments, give some thought to what you are really looking for. Perhaps you need assistance in creating a comprehensive financial plan in order to meet your present and future goals. Or maybe investment advice is what you are seeking, or some combination of both.

Whatever your reasons, we have created a list of questions to ask as well as some reference information that will assist you in making an informed decision.

When selecting an advisor, plan on interviewing at least three different candidates. You may be tempted to just ask your questions over the phone, but you should speak to each advisor face-to-face, preferably in his office. After all, you are choosing someone to be a trusted steward of your money — meeting in person is an effective way to get a complete picture.

Before picking up the phone to make any appointments, however, make sure that each advisor you want to interview has a clean record, i.e., no violations or disciplinary actions taken against him. Depending on the advisor's certifications and designations, sources for determining this information can be found under "Advisor Qualifications and Designations" on the page opposite.

Below are questions to ask each candidate to assess their skill level and experience, and if they are the right fit for you. It's a lot of information to remember — you should feel free to bring these pages with you and take notes. In addition to how the candidate answers the following, factor into the decision your gut instincts about the advisor's integrity, and the personal chemistry and comfort level between the two of you (and your spouse, if applicable).

### **Can you walk me through your professional background? Where have you worked and when?**

Ideally, you should select someone who has spent at least three years serving clients.

### **What training have you received and what are your qualifications?**

Ask to see his credentials and have him explain what they mean. Then you can check with the appropriate organization

### **How Advisors Make Their Money**

**As we mentioned earlier, it is important for you to understand your advisor's sources of income so you can determine his objectivity and motivation in suggesting a particular course of action or investment for you. There are a few principal ways in which advisors get paid:**

**Fee-only advisors receive compensation only from their clients and do not receive money from third parties, including commissions, rebates, bonuses, or finder's fees. The fees you pay could be in the form of hourly fees, a set fee for a particular service, or a percentage of assets under management.**

**Advisors that are paid by commission make a living by receiving compensation from providers of investment and/or insurance products on the sales of those products.**

**Some financial advisors will charge a fee to analyze your financial situation and they will also receive money from the sales of certain investment and/or insurance products. They are paid using fee-based, or fee-offset, commission, not to be confused with fee-only compensation. It's important to note that NAPFA members are strictly fee-only while some FPA members are fee-only and others are a combination of fee and commission.**



to confirm that what he is telling you is correct (see sidebar) and that his designations and certifications are currently valid.

### **Do you routinely work with investors like me?**

Asking this question will ensure that the advisor will be able to provide the services and guidance you are seeking. For some advisors, financial planning may not be their forte. Others may be specialists in certain areas like income taxes or estate planning. It is also possible that this candidate may only choose to work with certain individuals, for example, high-net-worth clients (having assets of \$1 million or more) or senior executives.

### **Have you taken a fiduciary oath to put your clients' interests above your own (or anyone else's)?**

Registered Investment Advisors (RIAs) have a fiduciary responsibility, by law, to always act in your best interest. (See "Advisor Qualifications and Designations.")

### **What services can you provide me with? As a client, what can I expect in terms of services?**

Some advisors "do it all"; others stick to a few basic services. Some concentrate on the investment side and can buy and sell stocks, bonds, and mutual funds on your behalf. Others focus solely on creating current and future financial plans or addressing a specific objective like retirement or funding a child's education. Minimizing your income and estate taxes is another potential area of expertise. Determine what you need and be sure that the candidate has experience providing it.

### **Can I have a copy of the services you provide in writing?**

Most firms and practitioners will do this as a matter of course, but you should ask nonetheless. Keep this documentation in your files.

### **Who will manage my account?**

Although there may be a central point person, or relationship manager, as it's referred to in many places, there could be several individuals working on different aspects of your account. Ask the advisor to provide a quick summary and introduce you to everyone that will be responsible for handling your matters and managing your money. It's important to meet each one and get a sense of their accessibility.

## **ADVISOR QUALIFICATIONS AND DESIGNATIONS**

Many advisors have one or more acronyms after their names that indicate their particular specialty and the level of training they have received. Here is a brief summary of industry designations and the issuing organizations you can contact to verify advisor credentials:

**CFP :: Certified Financial Planner.** Tax and financial planning. Advisors that hold the CFP designation are, in general, highly regarded and have met rigorous experience and education requirements.

Certified Financial Planner  
Board of Standards  
1425 K Street NW, Suite 500  
Washington, DC 20005  
800-487-1497  
mail@CFPBoard.org  
www.cfp.net/search

Most CFPs belong to one or both of the following organizations. They can provide you with the names of CFPs in your area.

Financial Planning Association  
800-322-4237 | www.fpanet.org

National Association of Personal Financial Advisors (NAPFA)  
847-483-5400 | info@napfa.org

**CPA :: Certified Public Accountant.** Income or tax planning. National Association of State Boards of Accountancy  
150 Fourth Avenue N. Suite 700  
Nashville, TN 37219  
615-880-4200  
communications@nasba.org  
www.nasba.org

**CPA/PFS** :: *Certified Public Accountant/Personal Financial Specialist*. This is a CPA with a Personal Financial Specialist designation.

American Institute of Certified Public Accountants (AICPA)  
220 Leigh Farm Road  
Durham, NC 27707  
888-777-7077  
<http://pfp.aicpa>

**CFA** :: *Chartered Financial Analyst (CFA)*. *Investment advice*. The CFA designation, which is bestowed after extensive experience and examinations, is widely considered to be the gold standard for advisors dispensing investment advice.

CFA Institute  
560 Ray C. Hunt Dr.  
Charlottesville, VA 22903  
800-247-8132  
[info@cfainstitute.org](mailto:info@cfainstitute.org)  
[www.cfainstitute.org](http://www.cfainstitute.org)

**RIA** :: *Registered Investment Advisor (RIA)*. This term can apply to an individual or an entire firm. RIAs are bound by the rules set by the Investment Advisers Act of 1940 and are regulated by the Securities and Exchange Commission (SEC). The law requires RIAs to have a fiduciary responsibility to act in your best interest at all times, an important distinction.

An RIA is usually your best choice if you are looking for a wealth management firm to manage your money, i.e., financial planning and investing, in a holistic, integrated way.

### **How do you make your money?**

If you know how your advisor gets paid, this will help you assess her objectivity when she recommends an investment or offers advice. It's also a good idea to get this in writing and file it as well. (See "How Advisors Make Their Money.")

### **Has a client ever taken legal action against you? Have you ever been cited or disciplined for unprofessional behavior?**

Ask your candidate point blank about this. Then go beyond his word and check with the licensing and regulatory organizations that oversee his certifications (see "Advisor Qualifications and Designations") as well as your local Better Business Bureau.

### **How many clients do each of your employees deal with?**

Many firms are quite large and you may never get to know all of the employees that have input about your financial plans or investments. Knowing the general client-to-employee ratio will help you determine how big a firm you are comfortable with. If you are looking for a firm with a high level of "personal touch," a smaller firm is probably better for you.

### **How did your clients' portfolios fare during the most recent down market?**

Her answer will clue you in to how successful the advisor will be in applying defensive strategies to your portfolio when market conditions warrant it. Investment skill when the market is down is actually more important than when it is up.

### **Can you explain your firm's investment philosophy and approach?**

Ask the advisor to describe how the firm invests. They could be firmly rooted in long-term asset allocation, or could make decisions primarily by stock picking or market timing. Is their approach ad hoc and based on the decisions of a couple of investment gurus at the firm, or more systematic and institutionalized? Don't be shy about asking for specifics so you can thoroughly understand their methodology and determine your comfort level with it.

### **When selecting investments for my portfolio, do you take the potential tax consequences into consideration?**

Many advisors are indifferent to this issue as they feel their job is to get you a good pre-tax return, period. The ideal advisor, however, is a professional who sees and understands the big picture and integrates tax planning into the investment selection process.

### **Do you steer your clients toward certain investments? What do you generally invest in for your clients?**

Some may prefer recommending only certain types of stocks or bonds. Others may solely offer mutual funds and/or exchange traded funds (ETFs). Investing with an advisor that offers several different options will give you maximum flexibility.



**Choosing a financial advisor is a decision with ramifications, so it's important to take special care in the selection process.**



**How often can I expect reports?**

Most investment firms send quarterly reports to their clients outlining the following: current market value for each holding in their portfolio, performance statistics, realized and unrealized taxable gains, and industry-wide performance benchmarks. Confirm with each candidate that this is the kind of information you will receive and how often.

**Where will my assets be held and is there any protection in place?**

Many firms have large financial institutions take custody of their clients' assets. Ideally, the advisor's custodian is a member of the Securities Investor Protection Corporation (SIPC). SIPC provides limited protection for consumers if the custodian goes under. The firm and its custodian may also carry additional insurance — ask what other forms of protection may be available. Be sure that the advisor and custodian are separate entities — this is a key protection feature.

**Can I contact a few of your current clients for references?**

Ask the advisor for the names and contact numbers of clients who are similar to you in terms of your financial planning and/or investment needs.

**Once I am a client, can I easily terminate our professional relationship? Do I have the freedom to sever our relationship and have any prepaid fees, prorated and returned?**

An advisor that requires an upfront commitment — and payment — requiring that you stay with him a minimum amount of time, is generally not advisable. You want to be able to fire him and move on at your whim, with no negative consequences.

Choosing a financial advisor is a decision with ramifications, so it's important to take special care in the selection process. Even if you are satisfied with your current advisor, it doesn't hurt to get a second opinion from another professional. Your future financial security — and that of your loved ones — could benefit significantly from it.

The SEC licenses securities professionals and enforces regulations for advisors and firms with assets over \$25 million.

100 F Street NE  
Washington, DC 20549  
202-942-7040 | [www.sec.gov](http://www.sec.gov)

The North American Securities Administrators Association (NASAA) oversees firms with assets under \$25 million.

750 First Street NE Suite 1140  
Washington DC 20002  
202-737-0900  
[www.nasaa.org](http://www.nasaa.org)

**Registered Representative (RR).**

Individuals with the RR designation are limited to buying and selling securities for a brokerage firm and are also referred to as stockbrokers.

The Financial Industry Regulatory Authority (FINRA)  
1735 K Street  
Washington, DC 20006  
301-590-6500 | [www.finra.org](http://www.finra.org)  
or

NASAA  
750 First Street NE Suite 1140  
Washington, DC 20002  
202-737-0900  
[www.nasaa.org](http://www.nasaa.org)



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If you have any questions or comments about this material, please contact [info@brintoneaton.com](mailto:info@brintoneaton.com) or 973-984-3352.  
For more information, read *Asset Allocation For Dummies*®, (Wiley 2009) for which this material was originally produced.

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Brinton Eaton is a full-service wealth management firm and is a Registered Investment Advisor with the Securities and Exchange Commission.

Each of our professionals holds one or more of the following designations:  
CERTIFIED FINANCIAL PLANNER™ :: Chartered Financial Analyst® :: Certified Public Accountant :: Accredited Investment Fiduciary™ :: Fellow of the Casualty Actuarial Society

Different types of investments involve varying degrees of risk, and past performance may not be indicative of future results. Therefore, it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Brinton Eaton) will be profitable. A copy of our current written disclosure statement discussing our advisory services and fees is available for your review upon request and online at [brintoneaton.com](http://brintoneaton.com).

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