

Ask your financial advisor the right questions...

1. Are you a fiduciary 100% of the time?

Acting as a **fiduciary** is the highest level of responsibility under the law. It means, by law, the advisor must act in the client's best interest. The alternative is something referred to in the industry as **suitability**, meaning the advisor's recommendations must be 'suitable' based on the client's facts and circumstances. These two concepts may sound very similar, but I can assure you, they are very different. It used to be enough to simply ask, "Are you a fiduciary?" However, in June of 2017, federal law made all advisors who consult on ERISA-style retirement plans (401-k, 403-b, SEP plans, etc.) to provide fiduciary-level advice so an advisor might respond, "Yes, I'm a fiduciary" when much of their work is non-fiduciary in nature. Ask the right question, "Are you a Fiduciary with regard to all financial advice and investment recommendations?" We recommend getting this answer in writing.

2. How do you get paid when I work with you?

Advisors can get paid a number of ways, and certain compensation methods create potentially greater conflicts of interest than others.

A. Commission Only - The advisor receives a commission for selling you a product, including investment products.

B. Fee-Only - The advisor charges you a fee for investment management or financial planning. For investments, the fee usually is based on a percentage of the value of the assets being managed. For financial planning, the fee is often based on an hourly rate.

C. Fee and Commission - Sometimes referred to as 'Fee-Based,' the advisor charges fees on some things and commissions on others.

Fee-Only typically creates the least potential for conflicts of interest. For all methods, be sure the advisor discloses, in advance, both how they will be paid and how much. If you just read this section and don't know the answer, it's time to have a conversation with your financial advisor.

Want to achieve financial freedom by retirement age or earlier? To invest successfully, you'll either need to spend the time learning how to invest or hand over a portion of the responsibility to a professional investment advisor. Choosing an advisor is a huge decision and one that should be taken with care.

Where do you start? Here is a list of questions to ask someone you are thinking of hiring or your own advisor if you don't already know the answers.

3. What industry credentials do you have?

Why does this matter? Credentials are a strong indicator of the level of commitment an advisor has made to their profession. If you are looking for financial planning in addition to investment management, **you will want someone who is a Certified Financial Planner™ (CFP®)**. This is a challenging designation that requires the advisor to pass a national exam, have a minimum of three years of experience in the field, get thirty hours of continuing education every two years, and follow a strict code of ethics. All CFP's are fiduciaries. The gold standard for investment management is the Chartered Financial Analyst designation (CFA). For tax-related advice, you will want to deal with a Certified Public Accountant (CPA).

4. How do you work with clients?

Before you hire an advisor, both of you need to be clear on what to expect. **What scope of services are you expecting? How often do you wish to be contacted? Who will be the point person you will be dealing with?** Do not choose a financial planner until you are perfectly clear about what this working relationship entails.

5. Have you been disciplined within your industry?

The vast majority of advisors work diligently on behalf of their clients, but there are a few bad apples. This is a tough question, but ask it anyway. Also, you can do a preliminary check at BrokerCheck (primarily for brokers) or AdvisorInfo.SEC.gov (for Registered Investment Advisors).

Your finances and future are important so do not delay in asking tough questions of your current or future advisor.

CLICK HERE

for a Financial Advisor Disclosure Form.
Download and don't hesitate to ask your advisor to sign it.

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