

## Balancing the Art and Science of Financial Independence

### *How to Hire a Trustworthy Financial Advisor*

When we think about the complexity of managing our finances, and the demands on our time, most people have a desire to hire a partner to help with financial planning. Many investors **feel uncomfortable about working with financial advisors**. The financial crisis left a **cloud** over the financial services industry and it's difficult to know who to trust. This report is designed to give you some helpful tips on how to interview a potential advisor and how to **trust yourself** to make the right choice.

### *Where to Find a Financial Advisor*

Most people find their financial advisor through **referrals** from friends, coworkers, accountants, or attorneys. Although this is a comfortable method for most people, there are a few things to think about when seeking a referral.

1. Does your friend or family members' advisor have the **expertise that your situation** requires?
2. Does **your accountant or attorney** have a reciprocal fee sharing agreement with that advisor?
3. Does the advisor have a **busy practice** and do they have **time** to give you the attention you desire and deserve?
4. Does the advisor have **similar values and interests**? Does she/he **talk on a level** that you easily understand?
5. Is the advisor **willing to hear your ideas** or does he/she believe his way is the only way?
6. Can your family, friend or professional giving the referral **truly assess the advisor's skill**, knowledge and experience as well as you can?

## *Evaluating a Financial Advisor*

Whether you receive a referral, or look for a name on-line, it's **time to do your homework**. Ask any potential advisor **plenty of questions**. Your advisor should be prepared to meet you in a **free initial interview** and explain his or her approach to financial planning and investing. Here are suggested questions that you might ask:

- ✓ What **experience** do you have as a financial advisor, and what are your qualifications?
- ✓ What financial planning **services** do you offer? Describe how your financial planning process would work for me.
- ✓ Who are your **favorite clients** and do you **specialize** in a particular area?
- ✓ Will I be working with you directly, or are there **other advisors** or associates that I would interact with?
- ✓ How are you **compensated** for your advice and services? Do you charge annual fees or brokerage commissions, or both?
- ✓ Have you ever had any **formal complaints** or been disciplined for any unlawful or unethical actions in your professional career?
- ✓ How does your investment **process** work? How do you select the investments you recommend? What tools do you use to manage our portfolio?
- ✓ How do you **review our progress** toward our goals? How often do you meet with clients?
- ✓ What **technology** is used in your practice? Will our statements be mailed or viewed on-line? What reports will you provide to us?
- ✓ How often do you **re-visit** our financial plan? How often will you introduce new developments and opportunities?
- ✓ If I have questions, what is the **best way to contact** you and how quickly will you respond?
- ✓ If our relationship should not work out, what are the steps to **ending** our association?
- ✓ If we decide to work with you, what are the **steps to get started**?

## *The Financial Planning Process*

Once you establish a relationship with an advisor, the following steps should be performed:

1. **Gather Data and Financial Goals** – you and your advisor should have an extensive and **detailed conversation** about your current financial situation, and your **financial goals**, including time frame. You should be discussing and analyzing how much **risk** you are comfortable with and your level of understanding about financial concepts.
2. **Design Personalized Financial Plan** - Your Financial Planner will consider your situation and goals and **determine a plan** to pursue your desires. A Financial Plan may focus on certain goals, such as college funding and retirement planning, and may also be comprehensive and include recommendations regarding insurance, tax strategies, investments, estate planning and cash flow. Although a portion of the plan may be broad and educational, the majority of the plan should be personalized to your resources and goals.
3. **Evaluate Your Plan** - You and your Financial Advisor will **review the recommendations** described in the plan, including the **rationale** for each proposal. You should be given specific **education** and **time** to feel comfortable about making an **informed decision**. Your advisor should listen to any questions or concerns you may have about the plan and recommendations. The planner should be willing to re-evaluate the recommendations based on your preferences and revise the plan if necessary.
4. **Implement Your Plan** - Once you and planner agree that the plan is appropriate for your needs, it is time to **implement** each recommendation. Each step of implementation should be **carried out as a team**, with both sides committed to taking action where necessary. If other professionals need to be called in, your advisor should recommend other professionals or integrate experts that you prefer to work with into the process.
5. **Monitor Your Plan** – you and your Financial Planner should set up a schedule to meet so you both will **monitor progress** on your plan. If you desire financial education, topics can be selected and resources identified. Understanding how you will communicate and make future decisions together is a mandatory component to enjoying a successful relationship.

## *Tips for Success*

- ❖ Many professionals call themselves “financial planners”, but only those who have extensive **training** and experience **requirements** through the **CFP Board** are held to rigorous ethical standards. Using the CFP® mark is granted and upheld by the CFP Board of Standards. Read more about the education and ethical requirements required by CERTIFIED FINANCIAL PLANNER™ at <http://www.cfp.net/about-cfp-board>
- ❖ Some of the **reasons people seek financial advice** include:
  - Wanting to make *better decisions with their money* and not sure where to begin.
  - Are busy working, raising children and enjoying life and don't want to spend time doing *their own financial planning* and investing.
  - Realize that having a *partner to collaborate with* can help increase the probability of success.
  - Know their expertise is limited and *need help with areas* such as investment selection, insurance assessment, tax strategies and estate planning.
  - Have a *change in life circumstance* or unexpected event.
- ❖ You are in the **driver's seat with the relationship** and you shouldn't settle for anything less than a true professional. You should expect integrity, objective advice, competence, fair treatment, privacy, professionalism, accountability and diligence.
- ❖ **Take your time** with each decision. Allow your inner knowing to guide you as you determine whether the advisor is competent, ethical and truly has your best interests as her priority. Your advisor should be a trusted partner. Someone you feel **comfortable with** and who **understands your needs**.
- ❖ If you ask a question and the advisor avoids or talks around the issue, go elsewhere.

## *Financial Self-Defense*

Financial fraud is a reality but it doesn't need to keep you from having a successful partnership with a financial advisor. There are many ways to protect yourself, beyond the suggestions in this report. One way is to **work with an advisor who holds the CFP® certification**. These professionals are held to high standards of ethical and competence standards.

The regulating board of CFP® professionals put together a **Consumer Guide to Financial Self-Defense**, which includes these and other tips:

## Hiring a Trustworthy Financial Advisor

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1. Ask your advisor to provide services with the “duty of a **fiduciary**”. This obligates him/her to base his recommendations on your best interests. It also requires full disclosure of any conflicts of interest.
2. Ask your advisor to give you the **full story on any investment recommendations**, including the pros and the cons. Ask as many questions as it takes for you to fully understand investment recommendations. If the advisor seems in a hurry to get you to “buy”, be cautious.
3. If you are making financial decisions alone, take along a family member or friend to your meetings so you can have another pair of eyes and someone to bounce ideas off of.
4. Make sure you have a **thorough understanding** of all fees and charges.
5. Never sign blank paperwork and always review paperwork before signing.
6. Checks should always be payable to the advisor’s business name or the custodian, not the advisor herself. Question any situation that gives an advisor direct access to your money.
7. Make sure you receive and review regular statements from an independent third-party, not a statement directly from the advisor.

Several government and professional regulatory organizations, such as the Financial Industry Regulatory Authority (FINRA), your state insurance and securities departments and CFP Board, keep records on the disciplinary history of financial planners and advisers. If a CFP® professional violates any of CFP Board's standards, he is subject to disciplinary action up to permanent revocation of certification.

Check out a prospective advisor’s background at [www.finra.org](http://www.finra.org).

### *In summary*

Financial planning takes the guesswork out of managing your money and helps you understand the implications of each financial decision you make. Since we all have different goals, it’s important to have a plan that is personalized to you and one that will work for your preferences and evolving situation, now and in the future. Creating a robust, realistic plan will help you stay on track to having the financial life that you desire and deserve.

This white paper was authored by Tresa Leftenant, CFP®, Owner of MyFinancialDesign.com.

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