



# Top 10 Questions to Ask Before Selecting Your Financial Advisor

Most of the math of investing can be done by computers – it takes a person to help you navigate the emotions of money over the long term. Aside from your health and your family, there’s nothing more important than your finances.

That’s why it’s vital to ask these questions during the interview process to help you understand the advisor’s approach and whether they’re the right fit for you. Ideally, you’ll speak to at least three potential advisors before making your decision.

## 1 Are you a fiduciary?

What are the qualifications of your investment advisor? If you’re hiring an investment firm, what certifications does the company have? Is it registered with the SEC?

Since fiduciary advisors are legally bound to act in the client’s best interest and operate on an asset-management fee schedule without commissions, they are viewed as having less conflicts of interest than brokers are. Fiduciary advisors work in the best interest of the client, whereas non-fiduciary advisors only have to recommend products that are deemed “suitable.”

## 2 How do you get paid?

Know what you’re paying up front to avoid unpleasant surprises, since the financial industry has multiple fees and commissions.

I recommend working with an investment professional who charges a fee instead of commission. Then it’s clear if you’re paying a flat fee, hourly rate, retainer, or percentage of your assets (a 1 - 1.5% fee is common). Some advisors will only work with high-net-worth individuals, so ask if they have a minimum investment threshold. Two networks that can help you find

advisors without minimum requirements are the Garrett Planning Network and the National Association of Personal Financial Advisors.

### **3 What are my costs?**

How much does the service cost? What are the total fees involved?

Be sure to review how you're going to be charged. In addition to paying your advisor, you will have other fees. An analysis by the NerdWallet site discovered that a 1% mutual fund fee can cost as much as \$590,000 in retirement savings to a millennial investor. It's important to not pay too much in add-on fees.

### **4 What services do you include?**

Knowing your overall goals, and what you want and need out of a financial planner or investment advisor, is a key step in selecting the right fit for a beneficial relationship.

Does the investment professional offer the services you need? Are you looking for assistance with retirement planning, comprehensive financial planning services, tax advice, investment management, or some combination of these services? Does your investment advisor work with clients similar to you and will they be able to help you achieve your financial goals?

### **5 How do we communicate?**

It's important to know what type of access you'll have to your advisor. Do you meet in person, on Zoom, on the phone, or a combination, and how frequently?

Your investment advisor must be willing to answer your questions and welcome the interaction. This is a long-term relationship, and you want to choose a capable, trustworthy person and/or company that you feel comfortable working with and confident in their decision-making skills.

### **6 What's your investment philosophy?**

It's essential that you and your investment advisor are on the same page and have a similar investment philosophy. Also, you'll want to know what their approach and process are for helping you reach your goals.

### **7 What asset allocation will you use?**

Asset allocation helps you create a diversified portfolio. Your portfolio must not be solely focused on just one stock or one set of stocks, but diversified across equity categories that could include domestic and international stocks, small-cap, midcap, and large-cap companies.

### **8 Who is your custodian?**

You need to know where your money is. Some advisors work with a major institution, such as Raymond James, Janney, LPL, or Morgan Stanley. If not, ideally they'll partner with an independent custodian, such as a brokerage firm like Schwab or Fidelity to hold your investments, rather than act as their own custodian. This provides you with more security and safety.

### **9 What investment benchmarks do you use?**

Your investment advisor measures your portfolio performance against industry benchmarks. There are various benchmarks, and how they are used must make logical sense. For example, if your advisor uses the S&P 500 benchmark, that makes sense when considering investments in similar stocks, but you will need another benchmark to evaluate a diversified portfolio that contains emerging markets and small-cap stocks.

### **10 What taxes will I have to pay?**

This question helps you ensure that your investment advisor thinks about your tax payment when offering you financial advice. Your bottom line is to keep more money after fees and taxes are paid.

Your advisor is there to help you make sense of your financial life and guide you along the way. You'll want to work with someone who is polite and considerate. You're paying to get trustworthy financial guidance from a capable, intelligent, and honest person. I hope this helps you choose wisely!

*- Kevin Simpson*