

How to find a Good Financial Advisor
By Jennifer Black

Questions you should ask a financial advisor when deciding with whom you are going to work.

1. How often do they meet with their clients?

It is important to know how often your financial advisor expects to meet with you. As your personal situation changes you want to ensure that they are willing to meet frequently enough to be able to update your investment portfolio in response to those changes. Advisors will meet with their clients at varying frequencies. If you are planning to meet with your advisor once a year and something were to come up that you thought was important to discuss with them; would they make themselves available to meet with you? You want your advisor to always be working with current information and have full knowledge of your situation at any given time. If your situation does change then it is important to communicate this with your financial advisor.

2. Ask if you can see a sample of a financial plan that they have previously prepared for a client.

It is important that you are comfortable with the information that your advisor will provide to you, and that it is furnished in a comprehensive and usable manner. They may not have a sample available, but they would be able to access one that they had fashioned previously for a client, and be able to share it with you by removing all of the client specific information prior to you viewing it. This will help you to understand how they work to help their clients to reach their goals. It will also allow you to see how they track and measure their results, and determine if those results are in line with clients' goals. Also, if they can demonstrate how they help with the planning process, it will let you know that they actually do financial "planning", and not just investing.

3. Ask how the advisor is compensated and how that translates into any costs for you.

There are only a few different ways for advisors to be compensated. The first and most common method is for an advisor to receive a commission in return for their services. A second, newer form of compensation has advisors being paid a fee on a percentage of the client's total assets under management. This fee is charged to the client on an annual basis and is usually somewhere between 1% and 2.5%. This is also more common on some of the stock portfolios that are discretionarily managed. Some advisors believe that this will become the standard for compensation in the future. Most financial institutions offer the same amount of compensation, but there are cases in which some companies will compensate more than others, introducing a possible conflict of interest. It is important to understand how your financial advisor is compensated, so that you will be aware of any suggestions that they make, which may be in their best interests instead of your own. It is also very important for them to know how to speak freely with you about how they are being compensated. The third method of compensation is for an advisor to be paid up front on the investment purchases. This is typically calculated on a percentage basis as well, but is usually a higher percentage, approximately 3% to 5% as a onetime fee. The final method of compensation is a mix of any of the above. Depending on the advisor they may be transitioning between different structures or they may alter the structures depending on your situation. If you have some shorter term money that is being invested, then the commission from the fund company on that purchase will not be the best way to invest that money. They may choose to invest it with the front end fee to prevent a higher cost to you. In any case, you will want to be aware, before entering into this relationship, if and how, any of the above methods will translate into costs for you. For example, will there be a cost for transferring your assets from another advisor? Most advisors will cover the costs incurred during the transfer.

4. Does your advisor have a Certified Financial Planner Designation?

The certified financial planner (CFP) designation is well recognized across Canada. It affirms that your financial planner has taken the complex course

on financial planning. More importantly, it ensures that they have been able to demonstrate through success on a test, encompassing a variety of areas, that they understand financial planning, and can apply this knowledge to many different applications. These areas include many aspects of investing, retirement planning, insurance and tax. It shows that your advisor has a broader and higher level of understanding than the average financial advisor.

5. What designations do they have that relate to your situation?

A Certified Financial Planner (CFP) should spend the time to look at your whole situation and help with planning for the future, and for achieving your financial goals.

A Certified Financial Analyst (CFA) typically has more focus on stock picking. They are usually more focused on selecting the investments that go into your portfolio and looking at the analytical side of those investments. They are a better fit if you are looking for someone to recommend certain stocks that they feel are hot. A CFA will usually have less frequent meetings and be more likely to pick up the phone and make a call to recommend purchasing or selling a specific stock.

A Certified Life Underwriter (CLU) has more insurance knowledge and will usually provide more insurance solutions to help you in reaching your goals. They are very good at providing techniques to preserve an estate and passing assets on to beneficiaries. A CLU will generally meet with their clients once a year to review their insurance picture. They will be less involved with investment planning.

All of these designations are well recognized across Canada and each one brings a unique focus on your situation. Your financial needs and the type of relationship you wish to have with your advisor, will help you to determine the necessary credentials for your advisor.

6. Have they done any extra courses and for what reasons?

Ask your prospective advisor why they have done their extra courses and how that pertains to your personal situation. If an advisor has taken a course with a financial focus, that also deals with seniors, you should ask why they have taken this course. What benefits did they achieve? It is fairly easy to take a number of courses and get several new designations. But it is really

interesting when you ask the advisor why they took a certain course, and how they perceive that it will add to the services offered to their clients.

7. Who will be meeting with you?

In future meetings will you be meeting with the financial advisor, or with their assistant? It is your personal preference whether or not you wish to meet with someone other than the financial advisor. But, if you want that personal attention and expertise, and you want to work with only one individual, then it is good to know who that person will be, today and in the future.

8. Are you the ideal client for the advisor?

Are your financial needs similar to many of their clients? What can they show you that indicates a specialization in your area and that they have other clients in your situation? Has the advisor created any marketing pieces that are client friendly for those clients in your situation, over and above what they offer other clients? Do they really understand your situation? Once you have explained your personal needs and the type of client you are, it should be easy to determine if you are an ideal client for the services they provide.

9. How many clients do they work with?

It is important to know how many clients your prospective advisor works with. Are you one of 100 clients or one of 1000? Based on your assets are you in the top 15%, or the bottom 15% of their clients? These are important things to know. Ask if you are one of their top clients or one of their bottom clients, if will you receive more attention or less attention?

10. Do they have a network of professionals that they trust and can refer you to when you have a need?

It is valuable for an advisor to have a strong network of professional individuals available to their clients, in which they have full trust. Your advisor should know and trust these individuals completely, so that if an issue arises with them, your advisor will be able to go to bat for you.

11. Ask the financial advisor for a list of clients that you can contact.

Are there any clients that have given testimonials and who would be willing to speak to you about the advisor and the services provided? Ask these individuals how they enjoy working with the advisor and their staff. Ask some of the questions that you have asked the advisor, such as, Who do they meet with when they have their meetings, the advisor or an assistant?

12. How does the financial advisor contribute to the community?

Whether or not this is important to you, it is a good question to ask. You will discover if the advisor has given back to the community and if they are doing things over and above the day-to-day job to give back and help others.

13. How do they feel they will best help you and support you in achieving your goals?

This may be a question that you want to ask the advisor in a second meeting, if you have a two meeting process. Ask: How can they bring value to the relationship? What do they feel they can help you with? What will they do to ensure that you achieve your goals?

14. Do they have any tools that they have developed specifically for their clients?

I have touched on this earlier as well. This is really where you can see if a financial advisor is pro-active and if they specialize in a specific area or a specific type of client. An advisor who is pro-active should be creating some tools or have some processes in place to support their clients in their target market. Some of the tools will be used behind the scenes, but should be able to be explained to you, and provided to you during your relationship, to help you achieve your goals and keep you on track.

15. Do they prefer to meet at their office or are they willing to come to your house and why?

It is a great idea to go to the advisor's office to meet with them initially if you are able to do so. This will allow you to see their office and their working environment; and, it will give you a sense of what type of an advisor they are, and the clients, with which they work. In the same respect, if you do not live close to their office, you should question if they are willing to come to meet with you at your home. If not, you will want to understand why they want to meet only in their office. Likely, they believe that they can provide the best possible service where all of their paperwork and resources are readily available, despite which questions might arise. They may prefer to come to your home once to see your environs and to get a better understanding and feel for the type of client you are. But, if you are unable to get out to meet with them, or if your situation in this regard changes in the future, you will want to know how this will be managed.

16. Do they do financial planning, and if so, do they charge for it?

If you are looking for somebody who is going to look at your overall situation, and who is going to spend the time to help you plan how to meet your goals, you will want an advisor who is proficient at financial planning. If you are looking for a broker whom you simply want to be able to phone to have them place a trade for you, then you will not need financial planning. Understanding whether financial planning is provided is a key component.

Be very careful that you are actually getting financial planning when you ask an advisor if they do financial planning. Also, you must understand whether or not there are any fees associated with the planning service. Some advisors may charge an additional fee for the planning on top of everything else that they do, while others will provide you with an actual financial plan at no additional cost.

17. Do they look at the whole picture or only one area?

It is important to know if the prospective advisor has a particular focus. Are they proficient with investments, insurance, financial planning, retirement planning, taxes, and estates? Will this one person be able to take over all of these areas for you? Will you be able to establish a relationship with one solid individual who understands all aspects of your financial situation? Or will they only help you with your investments and have someone else do your taxes, your insurance, your estate planning and retirement planning? Will you need to go out and find the others who do that? It is important to understand if the advisor can look at the whole picture or only one or two areas. You will be able to achieve your goals more quickly if an advisor can service your entire financial portfolio, because each of those areas mentioned, needs to understand and complement the others, while not undermining them, which may occur if various individuals are working on different aspects of your financial plan.

Things to think about during the process

Is it convenient to meet with the advisor? Are they able to meet with you at a time of your liking, or did you have to go out of your way to set up the initial meeting? Are you comfortable with them and their staff? Do you get a good feeling from what they do and what they say to you? Do you sense that they have your best interests in mind? Is their office setting efficient and comfortable?

Interview a number of different advisors before you make a change. This will help you to understand what each one does differently, and it will give you a good idea as to how they will help you to determine exactly what your

goals might be. You might even come to realize that your present situation is the best for you at the moment. Talking to several potential advisors will help you to develop a path toward the achievement of the goals that are most important to you, and help you to understand who is best to partner with, in order to achieve those valued goals.