7 Questions to Ask Before Hiring a Financial Advisor

by William Richardson III, CLU®, CFP®

1. What is their primary focus?

Most advisors have a particular area of operation and method of doing business. For some, the model is fee based financial planning and they create plans and may or may not help clients implement the recommendations. Another group is in the asset management category and their focus is on investing assets for clients in a portfolio. For some in this group, their stated value is in the construction of the portfolio, for others the stated value is in the tactical realm of things like asset allocation and rebalancing. The third group of advisors tends to focus on insurance planning.

The value our team brings to the process is that everything we do is part of a thorough financial plan and our greatest contribution to our clients' long term financial success is in keeping them on track with their plan and their goals and helping to prevent them from making mistakes.

2. What is the basis of recommendations that are made?

For some, recommendations are made based on having certain products in mind ahead of time that may offer certain advantages. For other advisors, the focus is on figuring out what is most relevant and impactful to clients and then coming up with ideas that enhance where clients are and help them get closer to where they want to go.

3. Do they have an expertise in working with clients like you?

Working with clients who are at or near retirement requires a particular set of skills and expertise to be helpful and relevant. Our organization and our team has put considerable time and effort into strategizing and helping our clients determine the most efficient way to distribute income during a 30 year retirement.

Part of the conversation deals with being efficient tax wise so that we can help manage the impact of taxes over time. Another consideration is having some dollars that are not correlated to the equity markets so that we are never forced to liquidate something during a down turn. Another key consideration is making sure that we are able to keep up with the rising costs of all the things we are going to need to purchase during a 30 year retirement.

4. Do they have a plan in place so that they will be able to work with you and your family to see that your goals are accomplished on intergenerational basis?

Not only is it important for clients to know their financial plan will stay relevant throughout all life stages, it is also important to know that the team they are working with will help them get money to the next generation and make sure their wishes are carried out and that their legacy goals are accomplished.

We have built our team strategically to be able to accomplish all of these things for our clients and their families.

5. Have they created a team that can help you accomplish all your goals?

One of the key considerations is that in today's world there are many complexities going on in the lives of our busy clients. What we have found is that they appreciate knowing that one team is able to help them achieve all their goals and that the team is aware of the entirety of their financial picture. Because clients are busy, they don't want to have multiple meetings with multiple organizations regarding their investments, financial planning, and insurance. By having capable specialists on the team to help our clients in all of these areas, we give them time to do more of the things they enjoy, like spending time with their families.

6. Do they have access to planning resources from CPA's and attorneys?

Because there are areas of planning that involve creating trusts and other legal documents, it is important that a financial advisory team has resources to draw on to guide the CPA's and attorneys clients are working with to create these documents. Because CPA's and attorneys don't specialize in financial planning, it is important for our team to be involved with that process and to receive input as needed from capable professionals in the legal and tax planning arena.

7. Is their investment process free of proprietary funds and other conflicts of interest?

Over the years, there have been many well publicized instances of companies and advisors doing things that were in their best interest but not in the best interest of their clients.

One of the best questions to ask an advisor is if there are any proprietary funds that are manufactured by the organized the advisory team represents. Though these kinds of investments may be recommended for good reason, there also exists the possibility that there are incentives for some products to be recommended over others. It is important to us as we take on a fiduciary standard of care for our clients that anything we recommend is recommended solely because it is in the best interest of our clients.