



How to Hire the Right Financial Advisor

Exploring the Potential of Working with a Financial Advisor



The Potential Benefit of Working With a Financial Advisor

Do I need a financial advisor? Should I do it myself and invest on my own? I could probably just use “index funds” and be O.K., right? Is an advisor really worth the fee I’ll likely have to pay? How do advisors get paid, anyway? What if I make a mistake and hire the wrong one? Where do I even begin with all of this?

These are just a few of the questions you might be asking yourself if you are reading this guide for the first time. You aren’t alone. If you currently have a financial advisor or are thinking about hiring one, selecting the right advisor is not an easy task. Financial advisors, brokers, investment product providers, and insurance product providers come in all sorts of shapes and sizes.

So, where should you start? What steps should you take to make sure you hire the right advisor for you? The guide you’re about to read will help you get started by asking the right questions and by providing context for how financial advisors are different. This information will help you avoid costly mistakes and should lead you to a strategy that is customized to your needs. In the end, it will help you make the best decision for the financial professional that suits you best.

According to a survey from Northwestern Mutual, people who work with financial advisors are more likely to report happiness, confidence and stability in their financial and personal lives.¹





Step 1: Map Out Your Own Objectives, Expectations, and Goals

Former American automobile racer Bobby Unser once said, “Success is where preparation and opportunity meet.” Simply requesting this guide proves that you have a desire to be successful with your investments and your financial plan. It’s certainly possible that hiring a financial advisor can have an impact. That said, the first step that you need to take, before you even look at or interview a financial advisor, is to be laser-prepared and to identify exactly what it is that you are hoping to accomplish.

Prior to seeking opinion and/or recommendations from a financial advisor, you need to make sure that you have thought hard and clear about what you want most from the relationship. What does success mean to you? A financial planner’s approach to and consultation with you is going to be far less useful if you are not first organized, focused and disciplined in what it is you want. With a plan in hand, the advisor will be better able to be focused to help you succeed. with estate plans can help minimize taxes and ensure a smooth transfer to heirs.



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Step 2: Understand That There Are Different Types of Financial Professionals

You'd think that all financial advisors are cut from the same cloth, follow the same rules and regulations, and offer the same type of advice. Unfortunately, it's much more complicated than that. Financial planner, broker, insurance "specialist," investment advisor, portfolio manager, and mutual fund advisor are just a few of the titles that are used to describe financial professionals. To make matters worse, there are more than 200 different designations available for financial professionals, all with varying requirements and intensity.³ So, who do you hire? How are they different? And why does it matter?

- A **product-provider** can help you purchase a financial product that may suit your needs and objectives for said money but ultimately it is your responsibility to determine whether or not said product is the best option for your specific goals.
- An **investment advisor** may focus more on your risk tolerance, asset allocation or investment strategy, but the advice you receive will more than likely be focused on the investment side of things, such as income generation, risk tolerance and portfolio performance.
- A **holistic planner** aims to help you develop a plan first before focusing on products and/or strategy. More than likely, a holistic planner will focus on all of the key areas: investments, income, taxes, estate and health care.



Step 3: Interview Advisors To Determine the Best Fit

Whether you desire a comprehensive plan, or you aim to increase your investment allocation efficiency, a holistic planner might help you raise the bar. You know there's a difference between certain types of advisors and how they provide advice. Now it's time to apply that preparation and knowledge and take action. Establishing an interview process that guides your selection is critical to making the right decision. Simply "winging" the meeting process could prove to be a huge mistake.⁴

Most all advisors will have a "process" that they take you through when you meet with them. Always remember what your goals are, what you want most, and if they can't articulate what it is that you need help with, you are probably just in the wrong place.

When selecting a financial advisor you should feel confident that they are working for you and not the other way around. In short, you should feel that the meeting was helpful, you identified and/or solved a problem, you learned something, and you now have an actionable plan moving forward. If you don't walk out of a meeting with a financial advisor feeling like that, you may have a problem!

Based on research, analysis, and testing, Vanguard has concluded that there is a quantifiable increase in return from working with a financial advisor. Vanguard calls this advantage the "Advisor's Alpha." When certain best practices are followed, the result can be an "Alpha" (or potential improvement) in the 3% per year range.⁵





Questions to Ask a Financial Advisor in a First Meeting

1. Are you a fiduciary?
2. How are you compensated for your services?
3. What services does your company provide?
4. Do you have a “minimum”? (minimum investment requirement)
5. How often will we meet should we work together?
6. How do you measure success with your clients?
7. Do you provide holistic advice in other areas, such as tax or estate planning?
8. Who is your custodial partner? (IE – What firm “custodies” your clients’ accounts?)
9. What would happen to my accounts if you were to leave the firm?
10. How long have you been a financial advisor?
11. Will I work with you directly or do you have a “team approach”?
12. What process do you follow to build a financial plan?
13. What does your ideal client look like?
14. What do you love about your job?
15. How will we communicate about my investments?

Additional source references for these questions: ⁶ ⁷



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