

How To Choose The Right Financial Advisor



FINANCIAL
LIFE
FOCUS

You're ready for help with your financial life.

You've maybe even done a little research, searched the web or asked your family and friends for referrals.

While that's a good start, you don't want to stop there.

Why? Because pretty much anyone can call themselves a financial advisor: commissioned-fueled stockbrokers, insurance agents and the guy at your local bank pitching their mutual fund.

Start off right.

One route to avoid amateurs is to start with a Certified Financial Planner® or CFP®. They advise their clients on how best to save, invest and grow their money.

And most importantly, they're licensed, regulated and take mandatory classes on different aspects of financial planning—in addition to meeting continuing education requirements.

Understand how your potential advisor is paid.

Once you've identified candidates—certified or not—to serve as your financial advisor, you'll want to ask a very pointed question before letting them onto your short list: *How do you get paid?*

If the answer is commissions, then know they only get paid when you buy and sell. They are incented to keep you trading which may not be in your best interests. If they are paid by fees AND commissions, it's time to dig deeper. Make sure all fees and expenses on the investments they offer are transparent.

If they charge both fees and commissions, ask whether they adhere to the “fiduciary standard” or the “suitability standard”. The fiduciary standard *requires* the advisor to act in your best interest. The suitability standard is a much lower target—it means that the product you are sold is “suitable” for your net worth and risk tolerance.

If the advisor is a fiduciary, you can collect even more information. They are required to provide you with their Form ADV that discloses any conflicts of interest, their background, and fee and practice structure. The ADV also discloses any prior legal problems that you'd want to know before making a decision. It is tempting to skip this step, but taking the time to read this document carefully and investigate any questions that arise can save you from a costly mistake...

7 questions to consider before choosing your financial advisor.

Now that you've explored how your potential advisor gets paid and you've read their ADV, are you ready to hire this person?

Not just yet.

You still want to explore some core facts about their practice and how you *feel* interacting with them.

1. Will you prepare a written financial plan? If so, is there a charge?
2. How many clients do you serve (pay attention to whether they feel over-extended)?
3. How long have you been in business?
4. How has your business changed over the years (look for someone who has continued to evolve their business)?
5. Does the advisor ask you good questions, such as questions about your money history and your expectations for the relationship?
6. Does the advisor present their expectations as well and do they feel appropriate?
7. Do you feel comfortable that you're being heard and that the advisor "gets" your priorities and risk tolerance? Do they care about you as a person?

Choosing the perfect advisor for you is not random—you have to ask and consider what may feel like some tough questions. Start by ensuring they meet the highest standards of the profession before agreeing to explore working together. Then—and only then—invest your time in deciding if there is a good fit and great chemistry.

Because you deserve nothing less.



Hello!

I'm Michael Kay—Certified Financial Planner®, author and speaker on personal finance and financial life planning. I've written two books and in addition to serving clients, I speak and deliver workshops across the U.S.

My latest book, *The Feel Rich Project*, is about transforming your relationship with money—reaching clarity on what matters most and developing a personal plan to reach it.

I'm a regular contributor to Forbes and Psychology Today and write for my own Moneylogue weekly. You can learn more [here](#), or give me a call to start a conversation.

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