

What to Look for When Hiring a Financial Advisor



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THE WORLD OF INVESTMENT ADVICE HAS CHANGED dramatically in the last decade or so. If you wanted to invest you used to call a broker. They'd take your money, and each time they'd buy stocks or bonds or other investments on your behalf, they'd charge you a commission. Today, most people turn to a financial advisor who allocates your investments according to your risk profile and charges a fee based on a percentage of the overall value of your portfolio. As such, they're not driven to make trades, only to grow your portfolio. As the TV ads say, "we make money when our clients make money."

But there are further distinctions that should be considered before you decide to work with a particular financial advisor. Most importantly, you will want to work with someone who will start the relationship by learning all he or she can about your financial condition, goals, objectives, and needs. The financial advisor that will serve you best for the long term will take the time to ask a lot of questions so that he or she will know enough to help you achieve your financial goals, the reasons you are investing.

Here are a few things to look for to ensure you start a relationship with the right kind of advisor:

- **A Registered Investment Advisor.** Look for an advisor who is associated with a Registered Investment Advisory (RIA), which means, most importantly, that the financial professional has to act on your behalf, has to put your interests before his or her own interests. If the firm you are working with is an RIA, your representative is a fiduciary. He or she is required by Securities and Exchange Commission law, as well as by industry ethical standards, to act on your behalf, to put your interests first, to eliminate or disclose any conflicts of interest.
- **Independence.** One way to ensure you're getting a "best in class" recommendation is to work with an advisor who doesn't take commissions on the investment products he or she buys on your behalf. Another way to ensure you're getting objective recommendations is to work with independent advisor, one who doesn't work for a firm that has proprietary products. The largest national firms with their own branded mutual

Before Your Hire an Advisor, Ask These Questions

Before you hire an advisor, ask a lot of questions. Here are several to consider:

- How will you charge me? What other costs, such as mutual fund fees, will I incur and how much?
- Do you receive commissions for the products you buy on my behalf?
- Do you represent any particular products or brands that pay you commissions?
- What are your limitations in terms of access to the full spectrum of financial products and services?
- How will our relationship work — that is, how and how often will we communicate about my investments?
- Will you create a financial plan for me before investing my money?
- What asset allocation will you use for me — that is, how will you diversify my portfolio?
- What other resources does your firm have in-house?
- How can you ensure me that my assets will be invested in a tax-wise manner?
- How will you measure and evaluate my investment performance?
- Do you have other clients like me, that is, of similar age, life circumstances, wealth and financial objectives?
- Tell me about the last two clients who left you.

funds, insurance products, and other investment options have good products, of course. But no one firm will have the best — or for you the most appropriate — product in every class. It's better to work with an independent advisor who has access to a full range of investment products but is not tied to, or incentivized to sell, a particular brand.

- **A firm that's "big enough."** While you want an independent, unbiased advisor, you'll also want to work with one that is associated with a firm large enough to support your advisor with the sophisticated resources advisors need to do their best work. Technology is as critical to your financial advisor as it is to your doctor. If you want a healthy portfolio, be sure the advisor you deal with has access to the high-end technological resources that allows them to assess funds and fund managers and to develop effective, informed investment strategies.
- **A financial plan.** Perhaps most importantly, the advisor you choose to work with should demonstrate that he or she will take the time to get to know you and your objectives. Investing is about more than a return; it's about meeting your long-term goals, from educating your children to retiring comfortably. You want to work with an advisor and firm that have a history of establishing and maintaining long-term relationships with their clients. That will tell a lot about how invested your advisor will be in your future.

HBKS® Wealth Advisors is here to help. Call me at 716-672-7800 with your questions or for more information, or email me at lfiorella@hbkswealth.com.

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