

Questions to Ask an Investment Advisor

Over the past few months, we have had the pleasure to meet with some great families who were looking for an advisor. We love getting to meet new people and learn about them.

Like any good relationship, it should be a two-way street and we get asked many questions as well. Some folks ask very pointed questions, while others admit they are not sure if they are asking the right questions. Given this, we feel some important questions to ask your current or prospective investment advisor are listed below in no particular order:

1. What services do you and your team offer?

An advisor should outline what his or her team looks like and the services they include. How often will you meet? Will you get a financial or retirement plan? What reports will they provide? Do they offer additional services such as insurance solutions, tax or estate planning strategies?

2. How much money do you manage and how many clients do you have?

We find most clients want to deal with an advisor who will be there for years to come. This question should provide insight as to what their typical client looks like and if the advisor has capacity to take on additional families. We feel it is important to know if you fit within their target market or existing clientele.

3. What products do you offer?

Many advisors work for firms where they can only offer only one product or a limited number of products. Historically, the "Big Banks" acted as brokerages. Now they are typically known as Wealth Management offices and can offer several investment products including, but not limited to: stocks, bonds, mutual funds, exchange traded funds (ETFs), alternative investments, commodities and insurance. Generally, brokerages are not limited to offering their own products, thereby giving investors more choices and limiting potential bias.

4. What fees will I pay?

Regulators have improved disclosures to ensure that costs are transparent however there tends to still be misunderstanding around fees. It is important for investors to understand all costs to investing and what they are getting in return. Are there any hidden, embedded or deferred sales charges (rear loads)? Does the advisor use lower cost products where suitable? It can be worthwhile to ask what the fees are in terms of dollars and percentages.

5. How are you compensated?

Today, there are many ways for advisors to make money. Salary, commissions, bonuses and fee-based are typically the most common. More and more, our industry is moving more towards the fee-based model where investors pay a percentage fee on the assets they have with an advisor. Typically, services such as building and maintaining portfolios, wealth planning and trading costs are included.

There are many reasons for the move towards fee-based compensation, among the most important is removing hidden compensation. This aligns an investor's objectives with those of the

advisor and can limit investment recommendations that may offer the advisor a larger commission.

6. What are your credentials?

There are too many credentials and titles in our industry. However, it is worth knowing that the Portfolio Manager title carries a fiduciary duty to their clients. Similar to doctors and lawyers, they are legally bound to always put their clients' interests first.

Another important credential that we feel advisors should have is either the Certified Financial Planner (CFP®) or Personal Financial Planner (PFP) designation as this means that they have completed substantial training and certification specific to financial planning.

7. What is your investment philosophy?

Advisors should be able to explain their strategies in a simple way. What is their process for selecting investments? What research do they do? For example, we put our "Investment Philosophy and 10 Core Beliefs" in writing.

Above all, you should feel comfortable with your advisor and have a good personality match. The best relationships are ones where people share their information, goals and work together towards achieving what truly matters to them and their families.

The above questions are by no means exhaustive, but will hopefully give you a better understanding of the advisor(s) you are meeting with.

Until next time... **Invest Well. Live Well.**

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