



Leonard W. Barry, MS

Seven key questions to ask when choosing a financial advisor

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If you prefer to delegate the management of your investment portfolio rather than do it yourself, it is wise to choose your financial advisor carefully. Your advisor must be someone you can trust to manage your money and look out for your interests, now and in the future.

Consider the following questions when choosing a financial advisor:

What services do you offer?

The best financial advisors take a broad approach to your financial situation. Look for an advisor who offers comprehensive financial planning in addition to investment counseling and asset management services. Comprehensive planning can include advice on areas such as retirement planning, education funding, charitable giving, insurance, taxes, and estate planning.

What credentials do you hold?

Anyone can use the title “financial advisor” or “financial planner.” Consumers can rely on credentials to help assess a financial advisor’s qualifications. The following are common reputable credentials:

- A Certified Financial Planner® has demonstrated educational knowledge of the major components of financial planning, passed a comprehensive examination, satisfied a work experience requirement, and agreed to adhere to a code of ethics.
- A Chartered Financial Analyst has completed a rigorous self-study graduate-level program in investments and portfolio management, passed 3 examinations, satisfied a work experience requirement, and agreed to adhere to a code of ethics.
- A Chartered Financial Consultant® has completed courses in the major components of financial planning and satisfied a work experience requirement.
- A graduate degree in a field such as finance, economics, financial planning, or business administration can signify knowledge relevant to assisting clients with financial planning and investment management.

How are you compensated?

There are 3 main ways financial advisors get paid: commissions only, a combination of commissions and fees, or fees only. You should understand how your advisor is compensated, because this could create a conflict of interest. An advisor who receives commissions may have an incentive to use investments that are more lucrative for the advisor. By contrast, a “fee-only” advisor does not receive

any type of commission from the investments he or she recommends.

It is also important to understand what commissions or charges, if any, are associated with the investment products your advisor uses. These commissions or charges may directly or indirectly compensate the advisor or the advisor’s firm. For example, many advisors use mutual funds because they are an effective way to diversify an investment portfolio. Some mutual funds are “no-load,” which means there is no up-front or deferred charge to buy the fund. Other mutual funds charge an up-front fee to buy, or a deferred fee if you sell within a certain number of years. There are a variety of options when buying mutual funds, so ensure that you read the product’s prospectus carefully and understand the product before investing.

Do you have a fiduciary responsibility to your clients?

Fiduciary responsibility means the advisor is legally obligated to act in the client’s best interest. This is true of advisors who work for firms that are Registered Investment Advisors. It is also true of Certified Public Accountants (CPAs) and attorneys. The investing public generally does not realize that other professionals may not be legally obligated to act in the client’s best interest. On the other hand, many professionals belong to, or are regulated by, professional associations that impose standards for ethical practice.

Leonard W. Barry holds a master’s degree in personal financial planning. He is a financial consultant for SVA Wealth Management, Inc., Registered Investment Advisor, an affiliated company of Suby, Von Haden & Associates, S.C. He specializes in comprehensive financial planning and investment management. For more information contact Wisconsin Medical Society Insurance and Financial Services, Inc. toll free at 866.442.3810.

What experience do you have?

In addition to formal education and credentials, what is the advisor's professional experience? Does this advisor have a proven track record? If the advisor appears less experienced, what are the firm's policies for mentoring and supervising financial advisors?

Look for an advisor who is affiliated with a firm that has established processes and a shared investment philosophy. How are investment decisions made? It is a good sign if a firm has a disciplined investment approach that all of its advisors follow.

How will you report the performance of my investment portfolio?

There should be no mystery about the performance of your investments. You should expect regular reports in an easy-to-understand format that shows the portfolio performance, net of all fees. Request a sample report and ask the advisor to walk you through it.

What is your disciplinary history?

The financial professions are highly regulated. If a financial advisor has been disciplined, he or she should be willing to explain the source and result of the action. You can check the advisor's disciplinary history by contacting the following organizations:

- The North American Securities Administrators Association,

202.737.0900, www.nasaa.org

- The Financial Industry Regulatory Authority, 800.289.9999, www.finra.org
- The National Association of Insurance Commissioners, 816.842.3600, www.naic.org

Conclusion

A comfortable retirement, higher education for your children or grandchildren, travel, a vacation home, charitable gifts, a legacy for your family—whatever your goals are—keep in mind that money is merely a means to an end. Look for a financial advisor who puts your interests first.

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