



Whom Are You Going to Believe?

Warnings and pointers for choosing a financial advisor.

By Kevin Bourke

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Dear Kevin,

I want to hire a professional to help me with my finances. How I can find someone competent that I can trust with my financial future?

Mike in Santa Barbara

Dear Mike,

When you're looking for any type of professional, whether it's a doctor, an attorney, or a financial adviser, the first step is almost instinctual - you usually ask a friend or your tax adviser for a referral.

No matter how you collect **names to check out**, I'd recommend interviewing no less than three. Make sure one of your candidates works for a major stock brokerage firm, and that another is independent, so you can compare and contrast their business philosophies.

At your first meeting, good financial advisers will ask you to bring your tax returns and various financial statements including your bank, brokerage, and insurance information. They'll also ask you about your tolerance for risk, family situation, income, experience with investing, and your goals.

What you ask them makes all the difference.

Take a look at the [Certified Financial Planner Board website](#). It offers a comprehensive list of **questions you should ask** when choosing your advisor.

I suggest you start by asking about experience. **Make sure your planner is well rounded** in retirement, investment, tax, estate, and insurance planning. Get a sense of their investment strategies and see what kind of experience they have in the markets. A financial planner who's been in the business for five years or less has only experienced a relatively steady stock market. Does the planner know how to structure a portfolio that will hold its own in a rocky market?

Ask your prospective planners how many clients they have, how many years they've been offering professional advice, and their educational history.

When inquiring about their designations or certificates, it's important to pay attention. There has been much abuse in this arena, and it's caused some states to only allow certain designations on business cards and marketing material.

Massachusetts and Nebraska, for example, have little tolerance for superfluous titles so they have limited the designations they allow. Nebraska's list of designations approved by the Bureau of Securities Regulation can be used as your guide:

- Certified Financial Planner (CFP™) – awarded by the Certified Financial Planner Board of Standards, Inc.
- Chartered Financial Consultant (ChFC) – awarded by the American College
- Personal Financial Specialist (PFS) – awarded by the American Institute of Certified Public Accountants
- Certified Financial Analyst (CFA) – awarded by the Institute of Chartered Financial Analysts
- Chartered Investment Counselor (CIC) – awarded by the Investment Counsel Association for America, Inc.

The person you're interviewing may not be the one who'll be responsible for managing your finances. Try to meet the people who will, and **ask how they'll be paid** for their services. They may be paid by fee, commission, both, or salary. They could ask for hourly rates, flat fees or a percentage of your assets under their management.

If they work on commission ask how much of a percentage they receive from your stocks and bonds, mutual funds, annuities and insurance products. Their compensation may also be based on selling you products, so see if they're affiliated with any other companies and what products or services they'll be recommending. Those third parties, brokers, or dealers may be getting a cut too, so ask how much they'll be getting paid.

If they have a written client engagement agreement, be sure to ask for a copy as well.

Seniors are most at risk when looking for an advisor to manage their life savings. The designation "Certified Senior Adviser (CSA)" has come under attack recently by Massachusetts, Nebraska, and Pennsylvania.

North American Securities Administration Association President and Wisconsin Securities Administrator Patricia D. Struck said, "Individuals may call themselves 'senior specialists' to create a false level of comfort among seniors by implying a certain level of training on issues important to the elderly. But the training they receive is often nothing more than **marketing and selling techniques targeting the elderly**. These sales people and the alphabet soup of letters after their names can be confusing, and in some cases, may even be deceptive to seniors."

Struck said to **beware of bogus senior specialists** who commonly target senior investors through seminars where the specialist reviews seniors' assets, including [securities](#) securities portfolios. Typically, the specialist recommends liquidating securities positions and using the proceeds to purchase indexed or variable [annuities](#) products the specialist is offering. Moving a senior (or anyone else) from securities to an annuity is not necessarily a bad thing. Each situation is different.

But there has definitely been abuse.

Navigating the world of financial planning gets even more puzzling when you try to analyze titles. Job titles like financial planner, financial consultant, and financial analyst are merely generic terms. They do not indicate competence.

If you've ever walked through a brokerage firm, **you may have wondered how one company can have so many Vice Presidents, Associate Vice Presidents, Senior Vice Presidents, First Vice Presidents, etc.** These titles are conferred based on commissions generated. They are not a measure of competence, knowledge, ability, smarts, experience, or anything else that is meaningful to you as the client. You may choose to ignore them because those titles are of little value to you as the investor.

One of the most important things you can do when interviewing for a solid financial advisor is to **call several of their clients for a reference.** A good advisor will have many names and numbers to give you and be proud of their successes.

If they have trouble getting anyone for you to call, well Mike, you've answered your own question.

Kevin Bourke, Certified Financial Planner, is a registered principal with and offers securities through LPL Financial, Member [FINRA/SIPC](#).