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Looking for a New Advisor? Ask These 10 Questions to Find the Right Fit

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A 2022 investor survey by YCharts found that over 25% of respondents thought about switching or had switched advisors in the last three years.[1] Finding a new wealth advisor is a bit like getting married: this person will know all your financial details, spending habits, lifetime goals and personal net worth. Given the importance of finding a trusted advisor, we believe it pays to ask the right questions.

Start with these 10 key questions to help ensure you will find the right fit.

1. **What is your experience and expertise in wealth planning?**
   The advisory industry is filled with lots of jargon, including many industry designations and initials behind advisors' names. Ideally, an investment advisor will be a Certified Financial Planner (CFP®) if you are seeking a financial planner or will have the Chartered Financial Analyst (CFA) designation if you are seeking investment expertise. Both designations have stringent educational requirements, including continuing ethics training.

2. **How do you create a customized wealth management strategy for your clients?**
   Wealth management combines both financial planning and investment planning. While finding a firm that is great at financial planning is important, it is equally important the firm or advisor knows how to effectively implement and monitor your investment plan, particularly as your goals and circumstances may change over time. Look for a firm that will spend the time to help you identify longer-term goals and will align planning recommendations with prudent investment advice.

3. **What are the key factors you consider when assessing a client's financial goals and risk tolerance?**
   It is essential that an investment advisor grasps your specific situation and can construct an investment portfolio which aligns with your stated objectives. The Certified Financial Planner (CFP®) Board recommends a comprehensive seven-step process for financial advisors to assist clients with achieving their goals. These steps include gaining a thorough understanding of your personal circumstances and extend to the implementation and ongoing monitoring of your financial plan. Engaging the expertise of a Certified Financial Planner or similarly credentialed professional ensures they will be able to guide you through this process effectively.

4. **Can you explain the types of investment vehicles and strategies you typically recommend to your clients?**
   Most advisors will use various investment vehicles to help meet your investment goals. These could include mutual funds, exchange-traded funds (ETFs), individual stocks or bonds and, potentially, limited partnership (LP) investments. An advisor should take into consideration your assets and tax considerations when recommending which vehicles will meet your needs. The cohesion among these

[1] *Source: Y Charts: "How Can Advisors Better Communicate with Clients?" (2022 Edition)*

pieces is where a skillful advisor can demonstrate value, such as helping manage volatility, saving on expenses and/or improving return outcomes.

5. **How do you stay informed about the latest market developments and investment opportunities?**
Most investors expect advisors to be knowledgeable about financial markets (after all, that is their job!). Understanding where an advisor really gathers their knowledge and access to resources should be an important consideration. Reading trade publications such as *The Wall Street Journal* or subscribing to research platforms such as Morningstar is a good start; however, a better litmus test is gauging how many of a firm's employees are dedicated on a full-time basis to advancing the firm's research efforts. Learning about internal processes and how advisors make investment decisions (i.e., does the firm have a formal investment committee, etc.) are important components when assessing your confidence in a firm's investment process and acumen.

6. **What fees or charges should I expect when working with you as a wealth planner?**
Advisors can get paid in a variety of ways; including flat fee, assets under management, hourly and, in some cases, commissions. To minimize potential conflicts of interest, the National Association of Personal Financial Advisors (NAPFA) recommends focusing on fee-only advisors.

7. **Can you provide examples of how you have helped clients optimize their tax planning?**
You may have heard the phrase "it's not just how much you make that matters; it's how much you keep after taxes." Evaluating your advisor's proficiency in incorporating tax considerations in your plan will help you gain comfort that they have a comprehensive expertise that is right for you. A good advisor will help clients with asset location (i.e., which accounts are best suited for holding certain types of investments), charitable planning and estate planning considerations. It is a fair expectation that your advisor is up to speed on the most recent legislative changes which could impact your financial plan.

8. **What tools do you utilize to adjust a client's investment portfolio?**
Once you have identified goals and implemented the portfolio, it is important to have a way to track your progress over time. Many advisors help clients establish access to the custodian's website (such as Schwab, Fidelity, etc.); however, technology has meaningfully advanced in recent years to equip advisors to better track clients' progress towards their longer-term goals. Most progressive advisors have adopted such technologies which do much more than basic performance reporting. These tools are readily available online and often include an "app" which allows clients to access timely information and updates.

9. **Do you have a team of professionals or strategic partnerships to assist with specialized needs, such as estate or insurance planning?**
Wealth planning can be very complex, and a single person usually does not have all the answers. Many wealth management firms will have access – either in-house or via a strategic partnership – to industry experts who can understand your goals and implement a coordinated wealth plan. Like your advisor, evaluating the team's level of expertise and confirming they work with clients similar to you will help ensure more meaningful outcomes...as the title of John C. Maxwell's book says, *Teamwork Makes the Dream Work*.

10. Can you provide references from clients who have benefited from your wealth planning services?

Talking to current clients is the last, but critically important, step in the evaluation process. Once you are comfortable with an advisor's people, process and philosophy, discussing an actual client's experience should be a final check to ensure it aligns with what you are expecting. While there are many talented advisors in the wealth management industry, not all professionals are driven by a passion to help clients prosper. A discussion with client references should reveal the firm or advisor has requisite expertise, but also a genuine and vested interest in clients' personal and financial well-being with a dedication to customer service.

For information on how Plaza Advisory Group, Inc. helps private clients with their wealth management needs, please contact any of the professionals at our firm.