



Use these questions to help you make your final decision on which advisor to hire! There are two main types of Financial Advisors: Financial Planner and an Asset Manager, [defined here](#). Not every question may apply to your situation, but these will greatly aid in your evaluation.

FINANCIAL PLANNER QUESTIONS

1. How long have you been doing financial planning? _____
2. How many financial plans have you done in your career? _____
3. How many financial plans have you done in the last twelve months? _____
4. What certifications do you have to illustrate competency? _____
5. When did you get these certifications? _____
6. If you do not have any certifications for financial planning, please explain how you can prove to me your competency and why you never acquired a professional designation.

(It is possible to have competency as a financial planner with no professional designations, however, it will take effort to prove it.)

7. How do you stay educated and current with all the changes in this industry?

(Advisors have many resources to stay on top of their profession, from formal continuing education that is mandated by their certification body, to the employer having mandated education, to reading trade journals, to trade events, to something called a “study group” where advisors gather several times a year to learn from each other. You want to hear some kind of formal ongoing education process from the advisor.)

8. Have any of your certification bodies disciplined you for any reason? If yes, please explain the details.

9. In the last year, what are some of the more important developments in the industry that effects financial planning?

("Taxes" is too easy a reply, demand more developments than this. After the interview, research the terms/developments they gave you to understand their view on changes in the industry.)

10. What types of clients do you have?

(By age, income, profession, marital status, or other niche. It's ideal if your advisor has knowledge about where you are in life, or anything that will help the advisor understand and have an affinity for you as a person.)

11. Why did you become a financial planner?

(This question allows you to learn what motivates this person, and how much passion he or she has for the planning process. The true relative passion for financial planning will become clear as you compare the answers you receive from competing advisors. All else being equal, you want to hire someone who truly loves the planning process.)

12. If the advisor is a registered investment adviser (RIA): When was the last time you were examined by your state or the SEC? _____

Did you receive a Deficiency Letter? _____ If yes, can you provide me with a copy?

(Many RIAs have never been examined by their state or SEC, so don't be surprised if they have not been examined. If they have been visited, they almost always get a Deficiency Letter or some kind of written communication after the examination. It is standard practice in that a regulator has to justify the trip and write up the advisor for something. Keep in mind, an SEC or State examiner is simply giving an opinion as to whether the advisor is following its rules; it is not a legal opinion. Many advisors do not agree with the Deficiency Letter and formally reply to the Deficiency Letter, so ask for a copy of that as well. Asking for this reveals how comfortable the advisor is with being asked tough questions, and if he refuses to share the deficiency letter if he has one, it's a big red flag. The advisor should be fine with sharing it, and feel free to explain you understand most of them are benign. If the advisor wants to provide you a summary and not the actual letters, then that can be acceptable as well.)

13. If the advisor is a registered rep of a broker-dealer:

a. Please share what limitations your broker-dealer(BD) might place on you.

(Every BD has different rules on what they allow their advisors to offer. For example, a BD may not allow their advisors to recommend viatical settlements, which allow you to sell a life insurance policy in the open market.)

b. Please share exactly how you will get paid, and estimate how much money you will make from me.

c. How can you assure me that the advice or product you are providing is in my best interests, as opposed to potentially compensating you the highest?

d. Are you also a fiduciary of an RIA? _____

e. On what occasions will you be fiduciary, and what occasions will you not be?

(A fiduciary is someone who puts the needs of the client ahead of his own. For example, this may mean the advisor makes less money in order to do the right thing for you. This is opposed to the suitability standard that brokers have, a lesser legal standard. The confusion is if the person is both an RIA and a broker, that person theoretically can sometimes act in your best interest and other times not.)

f. If you are never operating under a fiduciary standard, what assurance can you provide that you will put my interests above yours?

g. If your broker-dealer has a policy that does not allow you to put into writing that my interests are above yours, what is the pragmatic reason for this?

14. How do you charge for a financial plan? _____

If hourly, what is your rate? _____

If bundled in an Assets Under Management fee, what is your asset minimum to receive the plan as part of the engagement? _____

If a monthly retainer fee, what is the usual fee? _____

If paid via commissions, please explain exactly how that would work—what products and what would those commission costs be? _____

15. If you have any FINRA or SEC/State disclosures, please explain what happened.

16. Every advisor has a potential conflict of interest, what are yours?

17. What information do you need from me in order to create my plan?

(It should be a fair amount of information they need about you, family, earnings, savings, taxes, homes, health issues, and the like.)

18. What questions do you have for me? (List out every question they ask of you!)

19. Finally, based on my answers, what do you think it would cost to create my plan?

20. Do you, or does your firm, have E&O (Errors and Omissions) Insurance? If yes, please provide information on the coverage. _____

ASSET MANAGER QUESTIONS

21. How long have you been doing Management? _____

22. How many clients are you managing money for? _____

23. What is your typical account size? _____

24. Who is your Custodian or Clearing firm(s)? _____

25. Do you manage portfolios yourself or do you select other managers? Please explain your process.

(A person that selects other managers is called an "Asset Gatherer," which is industry jargon for someone who believes that managing money should be done by others, and the advisor decides which other asset managers to use or not use. It's a philosophical belief, neither good nor bad, just different from other advisors who pick individual stocks or funds themselves.)

26. If you manage portfolios yourself, do you use a selection of individual stocks and bonds, or Mutual Funds or ETFs? Why? Do you make the trades without calling first? (discretion versus non-discretion) Please share some of the names of the securities you invest in:

(Again, there is no right or wrong answer to this question. Often, the larger the investment portfolio-over two million dollars-the more likely an advisor will use individual stock and bonds, as many feel there are tax advantages and opportunity to achieve higher returns. Alternatively, some advisors use other money managers, called Separate Accounts. For portfolios under two million dollars, very often portfolios of mutual funds and ETFs are used, especially for a wealth manager, as he is doing a financial plan. Most planners use mutual funds as there is a focus on all the planning aspects, and not on monitoring the markets daily. On the topic of trading discretion, most fee-only RIAs use trading discretion—it's common. If the advisor is also a broker-dealer rep, more caution needs to be applied.)

27. What certifications do you have to illustrate competency? _____

28. When did you get these certifications? _____

29. If you do not have any certifications for asset management, please explain how you can prove to me your competency and why you never acquired a professional designation.

(There are a number of advisors who manage money with no professional designations, however, they should be able to explain in great detail their experience.)

30. How do you stay educated and current with all the changes in this industry?

(Advisors have many resources to stay informed and up-to-date on the industry, from formal continuing education that is mandated by their certification body, to the employer having mandated education, to reading trade journals, to trade events, to something called a "study group" where advisors gather several times a year to learn from each other. You want to hear that the advisor participates in some kind of formal ongoing education process.)

31. Have any of your certification bodies disciplined you for any reason? If yes, please explain the details.

32. In the last year, what are some of the more important developments in the industry that effects asset management?

("Taxes" is too easy a reply; demand more developments than this. After the interview, research the terms/developments they gave you to understand their view on changes in the industry.)

33. What types of clients do you have?

(By age, income, profession, marital status, or other niche. It's ideal if your advisor has knowledge about where you are in life, or anything that will help the advisor understand and have an affinity for you as a person.)

34. Why did you get into asset management? _____

(This question allows you to understand the motivations of this person.)

35. If the advisor is a Registered Investment Adviser (RIA): When was the last time you were examined by your state or the SEC?

Did you receive a Deficiency Letter?_____If yes, can you provide me with a copy?

(Many RIAs have never been examined by their state or SEC, so don't be surprised if they have not been examined. If they have been visited, they almost always get a Deficiency letter or some kind of communication, it's standard practice in that a regulator has to justify the trip and write up the advisor for something. Keep in mind, an SEC or State examiner is simply giving an opinion on whether the advisor is following their rules, it is not a legal opinion. Many advisors do not agree with the Deficiency letter and formally reply to the Deficiency letter, so ask for a copy of that as well. Asking for this reveals how comfortable the advisor is with being asked tough questions, and if they refuse to share the deficiency letter if he have one, it's a big red flag. They should be fine with sharing it, and feel free to explain you understand most of them are benign. If the advisor wants to provide you a summary and not the actual letters, then that can be acceptable as well.)

36. If the advisor is a registered rep of a broker-dealer:

a. Please share what limitations your broker-dealer (BD) might place on you:

(Every broker-dealer has its own rules on what the firm doesn't want its advisors to provide. For example, some BDs may not allow certain types of non-exchange traded real estate investments. Every firm is different, but it's good to know their limitations, and for certain, every BD does not offer every type of investment.)

b. How can you assure me that the securities you are providing are in my best interests, as opposed to potentially compensating you the highest?

c. Are you also a fiduciary of an RIA?

d. On what occasions will you be fiduciary and what occasions will you not be?

(If you are only having a portfolio managed, virtually all broker-dealers have an RIA as well, and the entire relationship is normally under the fiduciary standard. If not, ask more questions as to why not, as this is unusual.)

e. If you are never operating under a fiduciary standard, what assurance can you provide that you will put my interests above yours?

f. If your broker-dealer has a policy that does not allow you to put into writing that my interests are above yours, what is the pragmatic reason for this?

37. How do you charge for managing a portfolio? What is the total cost of the portfolio—your cost, plus the cost of the underlying securities, including fund 12b-1 fees and others?

(If paid in some way other than charging a percentage of assets under management, this is highly unusual; therefore, have them share exactly how that would work. If the total fees exceed 3 percent, this can be regarded as out of the norm.)

38. I am aware accurately predicting future returns is not possible, but what rate of return ranges should I expect? What industry benchmarks do you compare client portfolios to?

(Any projections or past performance need to be carefully scrutinized. For example, is the advisor's past performance audited by a third-party using standards such as GIPS? Is the advisor providing you model performance, and is the type and account size the same as yours? If being provided back-tested performance, be aware this is the least reliable. Make sure the advisor explains in plain English all the disclosures related to investment performance. If the advisor is predicting returns higher than historical returns of the last ten years, this is a potential red flag and pay close attention.)

39. Every advisor has a potential conflict of interest, what are yours?

40. Do you have any FINRA or SEC/State disclosures? If so, please explain what happened.

41. What information do you need from me in order to begin managing my portfolio?

(At minimum, the advisor should have you complete an Investment Policy Statement (IPS), which maps out your goals and what your advisor can and cannot invest in, as well as a risk questionnaire to understand how risk averse or not you are.)

42. What questions do you have for me? (List out every question they ask of you!)

43. Do you or does your firm have E&O (Errors and Omissions) Insurance? If yes, please provide information on the coverage. _____
