



Four Questions to Ask Your Financial Advisor

While the financial services industry has many caring people with great integrity, it's also replete with conflicts of interest. Many advisors operate in what's known as a "closed-circuit" environment where the tools and products they provide are engineered to further their firm's best interests. This unfortunate system is designed to reward advisors for steering clients toward a particular set of solutions, rather than providing objective investment advice and strategies.

So, what should you look for in a financial advisor? And how do you ensure they have your best interests in mind? Here are the **4 Questions To Ask Your Financial Advisor**:

"What is your business and personal background?"

Education is important. Does the advisor in question have a degree in a discipline related to planning and investments? While it may be surprising to hear, many advisors come from other occupations that have little or nothing to do with financial matters.

Don't get too lost in the designation alphabet soup. While licenses or designations might get your attention, the advisor's formal education and industry experience are what matter most. The most effective advisors have been in business long enough to accumulate a wealth of experience in weathering countless market conditions.

It's equally important to find an advisor that specializes in helping clients in your chapter of life. If you just went through a divorce, for example, you probably wouldn't want to hire an advisor that focuses mainly on young professionals or corporate retirement plans. It's crucial for them to be intimately familiar with your situation, needs, and expectations. When it comes to choosing a financial advisor, there should be both a personality and a business fit.

"How do you get paid?"

Is your advisor a trusted confidant or a salesperson? To find out, ask if they're paid by fees, commissions, or a mixture of both. In our opinion, commission advisors are primarily salespeople. They push products, not partnerships.

"Fee-based" advisors offer a fee and commission hybrid where you can be charged for advice or service *and* commission on a particular product. In this situation, it can be very difficult to determine when the advisor is working on your behalf or simply as a salesperson. At Jay Greer & Co., we believe "fee-based" advisors are to be avoided as they often present the most conflicts of interest for their clients.

That's where a "fee-only" advisor can help. To preserve the client's best interests, this advisor receives only a previously agreed-upon fee with no other financial reward or incentive. "Fee-only" advisors disclose all potential conflicts of interest, and to provide maximum flexibility for clients, they allow investors to select the ideal mode of compensation, whether based on an hourly rate, a percentage of assets managed, a flat fee, or a retainer. There are no secrets with a "fee-only" advisor.

"What's your standard of care? Suitability or Fiduciary?"

There are two standards of care that define your relationship with your financial advisor: the Suitability Standard and the Fiduciary Standard.

The "Suitability Standard" literally means that if an investment is "suitable" for your situation, it satisfies the minimum level of legal care has been met. Advisors that operate under the Suitability Standard are not required to disclose conflicts of interest, thus allowing them to suggest investments that put their company's wellbeing above your own as long as it is suitable for you.

On the contrary, the "Fiduciary Standard" is defined as *"the strictest duty of care as recognized by the US legal system."* As established in The Investment Advisors Act of 1940, the Fiduciary Standard compels advisors to place their clients' best interests above their own.

To work with professionals that adhere to the Fiduciary Standard, look for a Registered Investment Advisor. RIAs have a legal responsibility to put your needs first and to disclose any conflicts of interest, their educational background, their work experience, and even their disciplinary history in the financial services industry.

"Will our personalities work well together?"

Chemistry, like experience, cannot be faked. At Jay Greer & Co., the personality fit between advisor and client is important. We want to enjoy being around our clients as we build partnerships on shared values and enthusiasm. If we aren't the ideal fit for clients, we'll gladly help them find an advisor who is.

Get to know your advisor long before you hire them. Look beyond the smoke and mirrors of the financial industry and find someone that can truly understand you and your goals, offer objective advice, and allow you to understand the ins and outs of your working relationship.

As a good rule of thumb, make sure to have at least two or three meetings with an advisor prior to beginning your partnership. Long-term relationships should be explored patiently.

If you have any questions or would like to meet our team, please contact us at (616) 844-7250.