

Your Financial Future Cheat Sheet: 10 Questions to Ask When Hiring a Financial Planner

Excerpted from *Financial Independence (Getting to Point X): An Advisor's Guide to Comprehensive Wealth Management* (Wiley, 2013, ISBN: 978-1-1184-6021-4, \$40.00) by John Vento

According to John Vento, author of *Financial Independence (Getting to Point X): An Advisor's Guide to Comprehensive Wealth Management* (Wiley, 2013, ISBN: 978-1-1184-6021-4, \$40.00), one of the most important decisions you'll make in your pursuit of financial independence is selecting a qualified advisor whom you like and trust, and who can meet your needs.

When you're in the process of choosing a financial planner, here are 10 important questions to consider:

1. If this advisor was recommended by a friend or family member, do you have confidence in the person who referred you?
2. What education and credentials does this advisor hold to make him or her qualified to advise you? (The advisor's website is a good place to find this information. You can also check with the licensing board for whatever credentials the advisor holds.)
3. What is the compensation model for the advice and service: fee-based, hourly, or commission? (Fee-based is a percentage of your money under management; hourly is based on time charges; and commission is transaction based.)
4. What are the financial advisor's areas of expertise and does this line up well with your needs? (The wealth management issues you're facing should go hand in hand with the advisor's areas of expertise.)
5. What standard of care will this advisor be held to: fiduciary or suitability? (The fiduciary standard, which is more rigorous and requires financial professionals to act in the best interests of their clients, is recommended.)
6. What is the extent of services that will be provided: Is it transactional or is it truly a trusted advisor relationship? (*Transactional* means compensation is based on commissions.)
7. Is the financial decision making customized to you or does the advisor take a one-size-fits-all approach? One-size-fits-all is not appropriate. An 18-year-old person's goals and risk tolerance are much different from an 80-year-old retiree's.
8. Does the financial advisor provide tax advisory services such as tax planning and preparation that are integrated into your overall financial planning?
9. What is the organizational structure of the advisor's firm: Will you be dealing directly with the same advisor or a junior member of the team?
10. What is the financial advisor's philosophy and approach to handling risk: Does this advisor make you comfortable?

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