



6 Critical Questions

to ask a Financial Planner

By Brian Bernatchez, CFP®

In my 24 years as a financial advisor, I have been asked some very good questions by Maine families and institutions who were considering hiring me. The beginning of the year is a time when many retirees make New Year's resolutions to get in better fiscal shape. To assist you with your 2013 fiscal resolution, I have compiled a list of the best questions I have been asked during an initial interview. You can use these as a guide when considering a new financial advisor or when meeting with your existing advisor.

1. How will you be compensated?

Some advisors charge an hourly fee to provide financial advice and, a percentage of the assets they manage for you if you hire them to manage your money. Others charge you nothing, but earn a commission on the investment or insurance products they sell you. It is critical that you understand how they are compensated right from the beginning because ultimately you are the one paying them—either directly or indirectly. Over the years I have had many retirees who had a financial advisor meet with me and one of the first questions I always ask is how are you compensating your advisor? In many cases, the person either didn't know or thought they were not paying anything ...only for us to discover that the investments they were in carried exorbitant fees. You have worked very hard over the years to accumulate your wealth. Insist on knowing how your advisor will be compensated and, if he or she is not willing to disclose it clearly, find another advisor.

2. What are your qualifications?

Think like an employer. Find out what qualifies the advisor to provide financial advice. Sadly, it is very easy for just about anyone to call themselves a financial advisor. Check to see if the advisor is a CERTIFIED FINANCIAL PLANNER™ (CFP®), a Certified Public Accountant Personal Financial Specialist (CPA-PFS) or a Chartered Financial Consultant (CHFC). Each of these designations requires the advisor to have a comprehensive understanding of investments, taxes, insurance, and retirement planning. Each designation also requires the advisor to take continuing education to keep their certifications.

3. What is your overall philosophy regarding financial planning and investment management?

A good advisor should be able to describe the approach and process his firm uses to create financial plans and manage money. The process should be time tested and repeatable. You should ask to see a sample financial plan and a sample investment portfolio for an existing client who has a financial situation which is similar to yours. Our planning process is very thorough and our investment management process is disciplined and conservative. As a result, we tend to attract clients who are either in or near retirement and we find that younger investors who are looking to trounce the market averages are generally not a good fit for us.

Be sure to ask about the advisor's overall investment product mix and proprietary investments, too. An advisor can hold himself out as being objective but if his recommended product mix is 90% in one type of investment-- you may not be getting objective advice. In addition, you should find out if any of the investments recommended are products of the advisor's firm and, if so, does he receive additional compensation for recommending them. Any conflicts of interest like this should always be disclosed.

4. How many clients do you work with and who is your typical client?

Most advisors start their practices accepting all clients who are interested in working with them and over time may end up with way more clients than one advisor can handle. I know sole practitioner advisors who have over a thousand clients!! I do not see how anyone could provide you with personalized and attentive financial advice and investment management with that many clients.

In addition, many advisors do not establish account minimums and work with clients of all ages and net worth. That doesn't, by itself, make them bad advisors, but if you are ready to retire and hire an advisor to manage your million dollar portfolio, would you prefer an advisor who has no minimum, has hundreds and hundreds of clients of all ages or... one who has a client base that is primarily retirees, has 150 clients and has a minimum account size of \$250,000?

5. What is your average annual client turnover and how many clients left you last year and why?

The answers can say a lot about the quality of the advice and service being offered by the advisor. A small amount of client turnover is normal and can happen due to relocations, divorces, deaths etc. However, if the advisor you are considering consistently loses more than 5% of his clients per year then you may have a warning sign to which you should pay close attention.

6. What is the average tenure and qualifications of your support staff?

Once again, this is a question we are always asked by institutions but never by individuals and families. If the advisor you are considering is backed by an experienced staff which has been together for many years and has qualifications which are the industry standard, then you are much more likely to be hiring a team which has a repeatable process in place to help you manage and protect your wealth. When we are selecting an investment for a client's portfolio, one of the most important factors is the average tenure of the senior people at the company—you should use the same standard when considering an advisor and his firm.

Hiring a financial advisor is a process which should be undertaken with great care and diligence. It should be considered a major investment of both time and money into the financial future of your family. Ultimately, YOU are the boss of the team of financial professionals you hire—CPAs, insurance agents, attorneys, financial advisors—and YOU should be in control and be constantly engaged with them to successfully manage your wealth.

*Brian Bernatchez, CFP® is an LPL Financial Advisor who works with Maine seniors and non-profit organizations and is the Principal at Golden Pond Wealth Management.
Brian can be reached at 1-800-897-1338 or brian@goldenpondwealth.com*



Golden Pond Wealth Management
129 Silver Street, Waterville, ME 04901
www.goldenpondwealth.com

Securities and financial planning offered through LPL Financial, a registered Investment Advisor. Member FINRA/SIPC