

## **MAKING CENTS: Choosing the right financial advisor**

Choosing a financial advisor, like selecting a doctor, is a highly personal decision. It isn't that difficult to select a person that you like, but it may be a bit more difficult to select a person who is competent and able to meet your needs.

Start by doing a background and credential review. You should know where this person built their base of technical competence.

Unfortunately, many financial advisors were trained as sales people, and not financial technicians. Relevant previous experience from accountancy, insurance, investments or law are acceptable – but further education and credentials also show commitment. CFP®, PFS, and ChFC or a relevant master's level degree provide a good educational track. Check with the granting authorities of the person or firm that you are evaluating to see if there have ever been any sanctions or disciplinary actions taken.

Also check with the regulatory authorities such as FINRA or the SEC to see what complaints or actions may have been lodged against the firm or advisor.

Understand the compensation structure of the firm that you choose. The world is rapidly moving toward a fiduciary model which is in the best interests of the consumer. Fiduciary advisors are required by regulation to act in the best interests of their clients and avoid conflicts of interest. Most fiduciary advisors are paid in the form of flat or asset-based fees. Advisors who also collect commissions may still be able to provide a fiduciary level of service, but to discharge that responsibility fairly the current method of service may need updating.

The advisor must fully disclose compensation received from commissions and be able to show documentation that they looked at all relevant alternatives prior to concluding that the course of action recommended was in the client's best interests. You want to make sure that the commissions are not dominated by any one company.

Understand the deliverables that you will receive. Is it a stack of paper with a lot of pie charts and boilerplate language? Regardless of the format, make sure that the service includes a review of your cash flow today and in the

future and a review of risk from all perspectives; property and casualty, liability, life, health, long-term care and disability. A thorough and independent investment review, tax review, retirement plan analysis and estate plan are also essential elements of choosing a qualified financial advisor.

Like selecting your doctor, you do need to like the advisor that you choose as a person. The advisor chosen may know more about your overall life than anyone else.

**By John Napolitano**