

# 7 Things to Know Before Hiring a Financial Planner

You made a lot of good decisions in your life such as doing well in school, graduating from a prestigious university, and having a great job right after graduation. You may have started paying back your student loans, saving for retirement, putting away a rainy day fund, and started to truly build up wealth along the way. You have a feeling that you need some help with your finances but you don't want to get bad advice. How do you find someone who you can work with that can help you make better money decisions?

Although no one has the "right answer" to finding the perfect advisor, you should make sure to interview any potential financial advisor or financial planner with these questions so you can make an informed decision.

1

**How are you compensated for the advice that you give me?**

Potential conflicts of interest or conflicting advice emerge depending on the type of financial advisor or financial planner that you work with. Some financial advisors work under a salary and bonus plan. Other financial advisors receive compensation on professional fees collected directly from the client's assets under management or financial planning fees. Finally, some financial advisors are compensated based on commissions collected from financial products sold to their clients.

Although compensation does not completely affect the quality of advice you can expect from a financial advisor, you should be aware of how your advice is purchased and if the method of purchase affects the advice given. Note that some advisors can take multiple forms of compensation and you need to be aware of how you are engaging their services.

2

**Does your firm require you to meet any production or asset gathering targets or proprietary product minimum requirements?**

The most important person in the room at every meeting should be you and your financial goals. There are times when a third figure, the sales manager, hovers in the background casting pressure down on the financial advisor. Some firms will require their financial advisors to bring in a minimum amount of dollars into the firm or require their advisor to sell a minimum amount of financial products.

Example:

1. ABC Advisor works at ABC Investments
2. ABC Investments requires net new assets (new money from clients) of \$1,000,000 annually from ABC Advisor.
3. ABC Advisor has 100 current clients and 100 prospective clients.
4. ABC Advisor needs to find money from current or prospective clients or is sanctioned or removed from ABC Investments.

Additionally, some financial advisors represent firms that have "proprietary products". Although not bad by nature and arguably some of the best products available, the requirement by the firm for the financial advisor to offer a minimum amount of these products could produce friction.

Example:

1. Clients work with ABC Financial
2. ABC Financial sells ABC Whole Life Insurance
3. ABC Financial Advisor is required to sell \$10,000 in premiums worth of ABC Whole Life Insurance
4. ABC Financial Advisor may offer ABC Whole Life Insurance to the client
5. ABC Whole Life may be the best whole life product for the client but the firm is requiring \$10,000 of premiums for ABC Financial Advisor and other products may have been more suitable.

3

**What licenses, registrations, and/or designations do you hold?**

The best way to think of financial services licenses or registrations is the legal ability to sell you financial products or services.

Designations represent additional education on what are the appropriate methods, products, and services that the sponsoring designation provider believes appropriate for client interactions.

The main thing to remember is to do your research on the [details behind designations](#) and to consider what financial services you want to purchase from a financial advisor.

4

**Are you acting as a fiduciary when you are working with me in all my transactions with you?**

Popularized by comedian and provocateur John Oliver's [episode on Retirement Plans](#), the question of the fiduciary standard is still an important topic. A [fiduciary](#) is a legal term that gives the client legal recourse to go after a financial advisor for perceived breaches in fiduciary duty. Although there are many brokers who are great financial advisors and some fiduciaries who are terrible financial advisors, knowing what legal recourse you have against your financial advisor is important.

Example:

1. John B is an ABC Financial representative who can manage money for a fee as well as sell financial products independently.
2. ABC client wants to set up a retirement account for \$100,000.
3. John B can either manage the money for a percentage of the \$100,000 charged annually or John B can directly sell \$100,000 worth of financial products and make an upfront percentage in commissions.
4. Under the annual percentage, John B. must act as a fiduciary.
5. Under the sale of financial products for a commission, John B. must make sure that the financial products sold were reasonably sold and [suitable for the client](#).

5

**Do you have a full team of financial, tax, and legal experts and are you able to work with my existing team of experts?**

Base on the CFP Board's updated [Code of Ethics and Standards Conduct](#), the definition of financial planning is:

"a collaborative process that helps maximize a Client's potential for meeting life goals through Financial Advice that integrates relevant elements of the Client's personal and financial circumstances."

**Additional questions:**

Do you have a team of financial, legal, and tax experts that you actively work with? Explain your relationship with them.

Are you experienced and proficient enough to work with my legal and tax team if I have them reach out to you?

Can you vet out my existing team to test their level of competency?

6

**Can you review your U4 or any other relevant disciplinary history with me?**

If you are working with a financial advisor, you can ask your advisor to pull up their U4 online at <https://brokercheck.finra.org/> or <https://adviserinfo.sec.gov/>. This resource allows you to quickly search out any complaints, potential red flags, and minor infractions when dealing with an investment advisor.

Note that major infractions often lead to suspended licenses or registrations. So make sure that all information is current and available to verify online.

7

**Do you provide COMPREHENSIVE financial planning or do you perform elements of comprehensive financial planning?**

When it comes to financial planning, there are elements of comprehensive financial planning found in insurance planning, retirement planning, tax planning, legal planning... etc.

However, comprehensive financial planning models across all these areas and goes beyond the modeling into cash flow management, asset tracking, and multiple goal setting and tracking.

**Example 1:**

1. Bob G works at ABC Planning as a financial planner.
2. ABC Planning specifically works on retirement and investment accounts and uses internal modeling that shows what the cost of retirement looks like as well as asset growth for other goals such as education funding.
3. Bob G may say he can create a financial plan for a client.
4. ABC Planning Client receives a financial plan from Bob G that illustrates out retirement and education funding.
5. ABC Planning Client has received elements of a comprehensive financial plan in the areas of retirement planning and education planning.

**Example 2:**

1. Alex F works at XYZ Planning as a financial planner.
2. XYZ Planning offers planning that goes into cash flow modeling, retirement planning, insurance analysis, legal analysis, tax analysis, etc...
3. Alex F may say she can create a financial plan for a client.
4. XYZ Planning Client receives a financial plan from Alex F that goes through any and all financial gaps that the client has at the time of plan delivery.
5. XYZ Planning Client has received a comprehensive financial plan.

This is by no means a comprehensive list. Please email us directly at [customerservice@myfinancialcoach.com](mailto:customerservice@myfinancialcoach.com) if you feel that we should add anything missing from this list!

Best,  
Enpo

