

WHAT TO LOOK FOR IN A FINANCIAL ADVISOR

A framework for finding someone you can trust.

How do you avoid the Bernie Madoffs and the Allen Stanfords? Recently, we've seen two supposed financial wizards revealed as charlatans. Given recent headlines about Ponzi schemes and fraud, you may be wondering - how can you avoid getting duped by an unscrupulous financial advisor?

Do a little legwork (online, that is). If you want to check out an investment advisory firm, visit www.adviserinfo.sec.gov/IAPD/Content/IapdMain/iapd_SiteMap.aspx. This is the website at which the Securities and Exchange Commission keeps Form ADVs – the forms which reveal disciplinary actions taken against that advisory firm and/or its key employees. You can also make sure a firm is properly registered there.

If you want to check up on a specific investment advisor, go to the *FINRA BrokerCheck* website tool (www.finra.org/Investors/ToolsCalculators/BrokerCheck/index.htm). Here you can learn about the professional backgrounds of advisors and firms through the Financial Industry Regulatory Authority (FINRA).

Now that we've mentioned that, let's accentuate the positive. Visit the websites of the

- **Financial Planning Association** (www.fpanet.org)
- **Certified Financial Planner Board of Standards** (www.cfp.net)

Search functions on both sites will allow you to find a respected independent financial advisor near you.

Why look for an independent financial advisor? Well, when you search for an independent advisor, you have a better chance of finding someone who gets paid for their advice and/or their fee-based asset management, instead of deriving the bulk of their income from trades or product sales. Many of these independent advisors set flat or hourly fees for specific services. Some earn a fee that corresponds to a small percentage of the invested assets they manage for you. If your portfolio does well, they do well.

Look for meaningful professional designations. In fact, this article is a good starting point: www.investopedia.com/articles/01/101001.asp. This explains the most respected financial services industry credentials and what it takes to earn them. These designations signify advisors committed to upholding ethical as well as professional standards.

In the summer of 2009, there were more than 60,000 CERTIFIED FINANCIAL PLANNER™ certificants. In an average year, the Certified Financial Planner Board of Standards, Inc. conducts about 80 ethics code investigations. This means that 99.9% of CFP® practitioners are abiding by the Board's ethical and behavioral standards.^{1,2} You can visit www.cfp.net to check that a financial planner has maintained the designation (and you can also learn if he/she has been publicly disciplined).



Look for a communicator who wants to establish a true relationship. A good and conscientious financial advisor will meet with you at regular intervals and assist you to adjust your financial strategy in response to life changes and changing objectives. He or she will communicate with you in a forthright, open way – and that includes returning your calls or e-mails within 24 hours.

Your advisor should not communicate with you once every six or seven years, or “disappear” six months or a year after helping you invest.



Look for someone who respects your preferred investment style. If you want to invest conservatively, a good financial advisor should respect that and offer suggestions that correspond to your wishes. If your advisor maintains that you need to invest more aggressively, you should receive a reasoned and considerate explanation why, supported by a detailed model scenario. Beware the advisor who seems to want to arm-wrestle you into investing the way they would invest, irrespective of your preferences.

Look at what your advisor is doing. If you are pressured to invest in a way you don't want to, or if you happen to notice a lot of unwarranted buying and selling with regard to your portfolio, ask why. If you don't get a straight answer in response, ask why you're not getting one. Or simply take your investable assets elsewhere.

Lastly, ask around. There are financial advisors who have grown their businesses entirely by referral. The best advisors tend to get referred – and whether the referral comes from a professional, a business owner, a golf partner, or a relative, it signifies real trust in that advisor. If a friend or colleague refers a name to you, press him or her for more information and ask what the relationship has been like. Ask what qualities about that financial advisor have inspired the referral.

There are so many trusted financial advisors in this country – hardworking, ethical and compassionate financial services professionals who work for their clients assiduously. It is easier - much easier- to find one than the skeptics would have you believe.

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Last updated: 8/31/2009

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|----------------------|--------|
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| Alaska | 62 |
| Arizona | 1,260 |
| Arkansas | 233 |
| California | 6,771 |
| Colorado | 1,554 |
| Connecticut | 1,086 |
| Delaware | 218 |
| District of Columbia | 153 |
| Florida | 4,261 |
| Georgia | 1,878 |
| Guam | 1 |
| Hawaii | 256 |
| Idaho | 137 |
| Illinois | 3,203 |
| Indiana | 992 |
| Iowa | 538 |
| Kansas | 576 |
| Kentucky | 443 |
| Louisiana | 481 |
| Maine | 194 |
| Maryland | 1,439 |
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