

Questions To Ask A Prospective Financial Advisor

Hiring an advisor is a big decision, this guide can help you choose wisely.



Aspen Leaf Partners is a DBA of Aspen Leaf Financial Planning, LLC, a *Fee-Only* Registered Investment Advisor based in Golden, Colorado.



Start With Clarity

Before initiating a conversation with a financial advisor, make sure you know what you want to accomplish. With the end in mind, you and your spouse can align with a specialist most suited to your situation, goals, and values.

Accept A New Level Of Trust

If you've been a DIY-er for years, it might be hard to hand over the reigns. Open dialogue regarding finances can be intimidating. Everyone has some level of financial baggage. Be open about discussing your weaknesses.

Can You Afford It

A financial plan is time consuming to prepare. Depending on your financial complexity, expect to pay a few hundred dollars up to a few thousand.



Services

- “ “ What does your firm offer?
- “ “ What do you specialize in?
- “ “ Where are investments managed?
- “ “ Are any services outsourced?
- “ “ Will I work with you, an associate, or team?
- “ “ Is planning advice delivered in personal, online, or both?
- “ “ How often do you meet with clients?
- “ “ Will you work remotely via screen sharing & video conferencing?
- “ “ If I hire you, please describe your on boarding (what happens next) process.
- “ “ How long have you been offering these services?
- “ “ Describe your licenses, industry affiliations, and any credentials.
- “ “ Do you have a clearly defined client niche? If so, please describe.
- “ “ What is your account, client income, or household revenue minimum?
- “ “ What do I get in a financial plan? Can I see a sample?

Investments

- “ “ Describe your investment philosophy.
- “ “ How long have you been managing to that philosophy?
- “ “ How do you execute risk profiling?
- “ “ Will we implement an *Investment Policy Statement*?
- “ “ Describe the types of investments you utilize?
- “ “ What is your investment evaluation criteria?
- “ “ Are you strategic (buy and hold) or tactical (frequent changes to capture market inefficiencies)?
- “ “ How do you report performance?
- “ “ Do you use active (market timing) or passive (usually index funds) investments?
- “ “ How often do you rebalance?
- “ “ Do you use portfolio models? If so, what criteria prompt customization, if any?

Fees

- “ “ Based on the services you offer, how are you compensated for each?
- “ “ Do you accept commissions?
- “ “ Are you a member of a fee-only Registered Investment Advisor (a fiduciary entity)?
- “ “ Describe planning fees. Are they recurring? How often?
- “ “ Please breakdown all the fees associated with portfolio management. What is the total cost?
- “ “ Are you compensated for giving referrals?



Now that you have your answers...

Here's Your Cheat Sheet

There are no “right” or “wrong” answers to any of these questions. Ultimately clients should be comfortable with the prospective advisor’s responses. However, it’s hard to know what you don’t know. Based on our experience and industry awareness, what follows represents how we believe a client / advisor relationship should be structured.

On Services...

You’re not looking for a jack of all trades. Avoid advisors who can do everything from sell you a mortgage to advise on how much to save for college. Advisors who have 10+ years experience are ideal, but think twice on an advisor in their 50’s who runs a solo practice. They may be already thinking about retirement. Professional designations are a plus, but we know many a CFP who deliver subpar advice. Ask for a sample plan!

For Investments...

If they can’t clearly define their philosophy quickly and in simple terms, this is a red flag; it suggests a lack of disciplined process. Model portfolios with customization for unique scenarios are best. This means the advisor is efficiently serving investors as well as catering to you as an individual.

Academic research and empirical evidence have consistently demonstrated anything other than a globally diversified, buy and hold strategy using passively managed funds introduces additional risk and cost, which almost always results in underperforming the market. Other than occasional rebalancing, trading should be kept to a minimum for the benefits of lower costs and tax efficiency.

Regarding Fees...

If commissions are accepted, walk away. There is too much conflict of interest, and you’ll probably end up unknowingly paying for it. Advisors should affiliate only with *fee-only* Registered Investment Advisor (RIA) firms and never sell products. The cost of a plan should be reasonable; anything over \$3,000 would certainly get our attention. Investment advisory fees should be 1% or lower, no exceptions.

