

Four Questions To Ask Your Financial Advisor

Financial advisors come in all shapes and sizes and can offer different types of financial planning and investment advice. Not sure how to best evaluate and choose an advisor? Consider asking them the following four questions before you engage:

#1 WHAT CAN YOU TELL ME ABOUT YOUR SUCCESS WITH OTHER CLIENTS?

Ask your financial advisor how they work with clients. What have their past relationships with customers been like, both good and bad? What lessons have they learned and what goals did they help others accomplish? Everyone defines success differently, but two factors stand out:

75% of investors are satisfied when their advisor is readily available to field questions, and

71% are satisfied when they feel their advisor has their best interests at heart.

Your advisor may define success differently, but knowing more about their previous experiences will give you insight into how successful your relationship will be.

#4 WHAT IS YOUR INVESTING PHILOSOPHY, AND HOW DO YOU ADJUST IT TO MEET MY NEEDS?

78% of investors say they are satisfied with their advisors when they understand their goals. Are you aiming for early retirement, looking to build wealth or hoping to get out of debt? It's critical that your advisor tailor their planning to align with your objectives. Your advisor should be able to clearly explain how they're allocating your money and why their plan will specifically get you where you'd like to be.

#2 WHAT CREDENTIALS AND CERTIFICATIONS DO YOU HAVE?

More than a third of investors do not know their advisor's credentials, but understanding your advisor's background and expertise will help you find the best fit. While there are several certifications out there, the most common are the following:

- **Series 6 or 7**
- **CFP® (Certified Financial Planner)**
- **CPA (Certified Public Accountant)**
- **PFS™ (Personal Financial Specialist)**
- **ChFC® (Chartered Financial Consultant)**

Another factor to consider is whether your advisor is a fiduciary, or someone who is legally bound to act in your best financial interests.

#3 HOW DO YOU MAKE MONEY?

29% of investors say it's not always clear how their advisors charge for services, but how an advisor is compensated can greatly shape your relationship, the recommendations they offer, and the decisions they ultimately make.

There are different types of advisors, such as stock brokers, Registered Investment Advisors, etc., and all are paid differently. When vetting an advisor, be sure to get clarity on their fee structure. One way to do so is to start by asking the below:

- 1. Are you a fee-only or fee-based advisor? Aside from fees, what other charges will I incur?**
- 2. Aside from me, are you compensated by any other source?**
- 3. How are you compensated when you recommend investment products?**

“How you are compensated is one question clients don't always ask, but it's one of the most important. To create a successful relationship, and one that's built on trust, there has to be transparency and a mutual understanding of fee structures.

Damon W.,
Chief Operating Officer and Co-Founder of
a Registered Investment Advisor firm

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Based on a 2016 survey of 328 U.S.-based individual investors, including high net worth individuals, conducted by Forbes Insights in partnership with Charles Schwab.