How to choose a financial advisor

Most journalists and professionals agree that when searching for an advisor you should make sure he or she meets certain requirements. Typically these requirements include:

- Not working on commissions
- Independence from company quotas and influence
- A certain level of training
- A minimum number of years of experience
- A commitment to act in the client's best interest
- A clean regulatory history

Financial planning and investing are very important areas of your life. The decisions you make today will impact you for many years, so it is paramount to find a quality financial advisor you can trust.

We have constructed a very comprehensive questionnaire to help in your selection. It is a thorough examination of the advisor and their practice. This is an excellent tool to have when you are interviewing potential candidates. You can use it for initial phone inquiries, first meetings, or you can mail it to several advisors and instruct them to complete it and mail it back to you.

Comprehensive Financial Advisor Questionnaire

1. **What is your educational background?**

   College Degree Area of Study: ______________________________

   Graduate Degree Area of Study: ______________________________

2. **What are your financial planning credentials/designations and affiliations?**

   - NAPFA-Registered Financial Advisor ________
   - Certified Financial Planner (CFP) ________
   - Certified Public Accountant/Personal Financial Specialist (CPA/PFS) ________
   - Accredited Investment Fiduciary (AIF) ________
   - Chartered Financial Consultant (ChFC) ________
   - Financial Planning Association (FPA) ________
   - Other: ______________________________

3. **How long have you been offering financial planning services?**

- Less than 2 years ________
- 2-5 years ________
- 5-10 years ________
- More than 10 years ________

4. **Will you provide me with references from other professionals?**

- Yes ________
- No ________ (If no, please explain)

5. **Have you ever been cited by a professional or regulatory governing body for disciplinary reasons?**

- Yes ________ (If yes, please explain)
- No ________

6. **How many clients do you work with?** ________

7. **Does your firm work with any specific clientele?**

- Yes ________ (If yes, please explain)
- No ________

8. **Are you currently engaged in any other business, either as a sole proprietor, partner, officer, employee, trustee, agent or otherwise?** (Exclude non-investment related activities which are exclusively charitable, civic, religious or fraternal and are recognized as tax-exempt.)

- Yes ________ (If yes, please explain)
- No __________

9. **Will you or an associate work with me?**

- I will __________
- An associate will __________
- Act as a Team __________

If an associate will be my primary contact, complete questions 1-8 in the Background & Experience section for each associate as well.

10. **Will you sign the Fiduciary Oath below?**

- Yes ________
- No ________

FIDUCIARY OATH

The advisor shall exercise his/her best efforts to act in good faith and in the best interests of the client. The advisor shall provide written disclosure to the client prior to the engagement of the advisor, and thereafter throughout the term of the engagement, of any conflicts of interest which will or reasonably may compromise the impartiality or independence of the advisor. The advisor, or any party in which the advisor has a financial interest, does not receive any compensation or other remuneration that is contingent on any client's purchase or sale of a financial product. The advisor does not receive a fee or other compensation from another party based on the referral of a client or the client's business.

What the Fiduciary Oath means to you - the client

- I shall always act in good faith and with candor.
- I shall be proactive in my disclosure of any conflicts of interest that may impact you.
- I shall not accept any referral fees or compensation that is contingent upon the purchase or sale of a financial product.

____
Signature

11. **Do you have a business continuity plan?**

- Yes ________
- No ________ (If no, please explain)

COMPENSATION

Financial planning costs include what a client pays in fees and commissions. Comparison between advisors requires full information about potential total costs. It is important to have this information before entering into any agreement.

12. **How is your firm compensated and how is your compensation calculated?**

- **Fee-Only** (as calculated below):
  Hourly rate of $______ /hour
  Flat fee of $_________
  Percentage______ % to ______% of _________________
- **Commissions only**; from securities, insurance, and/or other products that clients buy from a firm with which you are associated.
- **Fee and Commissions (Fee-Based)**

  Hourly rate of $______ /hour
  Flat fee of $_________
  Percentage______ % to ______% of _________________

What percentage of your clients are handled by charging:

- Fees only __________
- Commissions only __________
- A combination of the two __________

➢ **Fee Offset**, (charging a flat fee against which commissions are offset.) If the commissions exceed the fee, is the balance credited to me?

- Yes __________
- No __________

13. **Do you have an agreement describing your compensation and services that will be provided in advance of the engagement?**

➢ Yes __________

➢ No __________

14. **Do you have a minimum financial planning fee?**

➢ Yes __________ (If yes, please explain)

➢ No __________

15. **Do you have a minimum fee or account size for investment management?**

➢ Yes __________ (If yes, please explain)

➢ No __________

16. **If you earn commissions, approximately what percentage of your firm's commission income comes from?**

Insurance products __________%
Annuities __________%
Mutual funds __________%
Limited partnerships __________%
Stocks and bonds __________%
Coins, tangibles, collectibles __________%
Other: ________________________ __________%

17. **Does any member of your firm act as a general partner, participate in, or receive compensation from investments you may recommend to me?**

➢ Yes __________

➢ No __________

18. **Do you receive referral fees from attorneys, accountants, insurance professionals, mortgage brokers, or others?**

- Yes __________
- No __________

19. **Do you receive on-going income from any of the mutual funds that you recommend in the form of "12(b)1" fees, "trailing" commissions, or other continuing payouts?**

- Yes __________
- No __________

20. **Are there financial incentives for you to recommend certain financial products?**

- Yes __________ (If yes, please explain)
- No __________

SERVICES

Financial planners provide a range of services. It is important to match your needs with services provided.

21. **Do you offer advice on? (check all that apply)**

- Goal Setting __________
- Cash Management and Budgeting __________
- Tax Planning __________
- Investment Review and Planning __________
- Estate Planning __________
- Insurance Needs __________
- Education Funding __________
- Retirement Planning __________
- Other: ________________________ __________

22. **Does your firm specialize in any areas?**

- Yes __________ (If yes, which ones)
- No __________

23. **Does your firm require me to commit to your investment management services in order to become a financial planning client?**

- Yes __________
- No __________

24. **Do you provide a comprehensive written analysis of my financial situation and recommendations?**

- Yes __________
- No __________

25. **If I don’t need (or am not interested in) a full-blown comprehensive financial plan, can you provide me with modular advice in a few specific areas?**

- Yes __________
- No __________

26. **Does your financial planning service include recommendations for specific investments or investment products?**

- Yes __________
- No __________

27. **Generally speaking, what investment products do you usually recommend for a portfolio?**

- Stocks __________
- Bonds __________
- Mutual funds __________
- Annuities __________
- Options and/or futures __________

28. **Is your investment philosophy more of an active or passive approach?**

- Active __________
- Passive __________

29. **Do you offer assistance with implementation with the plan?**

- Yes __________
- No __________

30. **Do you offer continuous, on-going advice (regular meetings and check-ups) regarding my financial affairs, including advice on non-investment related financial issues?**

- Yes __________
- No __________

31. **Do you take custody of, or have access to my assets?**

- Yes __________
- No __________

32. **If you were to provide me on-going investment advisory services, do you require "discretionary" trading authority over my investment accounts?**

- Yes __________
- No __________

REGULATORY COMPLIANCE

Federal and state laws require that, under most circum-stances, individuals or firms holding themselves out to the public as providing investment advisory services are required to be registered with either the U. S. Securities & Exchange Commission (SEC) or the regulatory agency of the state in which the individual/firm conducts business.

33. **I am (or my firm) is registered as an Investment Advisor?**

- Yes __________ (In the State of _________)
- No __________

Please provide your Form ADV Part II or brochure being used in compliance with the Investment Advisors Act of 1940. If not registered with either the SEC or any state, please indicate the allowable reason for non-registration.

Signature of Planner: ____

Firm Name: ____

Date: ____

Please Note:

A yes or no answer requiring explanation is not necessarily a cause for concern. The advisor should be given an opportunity to explain any response.

This questionnaire was largely based on a form created by the National Association of Personal Financial Advisors (www.NAPFA.org) to assist consumers in selecting a personal financial planner. A few more specific questions were added to go into greater detail in certain areas. This questionnaire can be used as a checklist during an interview or sent to prospective planners as a part of a preliminary screening.