



A Layman's Guide to Evaluating Financial Advisors

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1. Introduction

Congratulations! You've decided to take control of your financial future by seeking the guidance of a financial advisor. But with so many advisors out there, how do you choose the right one? This white paper aims to demystify the process, providing you with a comprehensive guide on the criteria you should consider when evaluating a financial advisor.

2. Understanding the Role of a Financial Advisor

Before diving into the evaluation process, let's clarify what a financial advisor does. Essentially, a financial advisor is a professional who helps individuals and families manage their finances, achieve their financial goals, and plan for their future. They offer expertise in areas such as investment management, retirement planning, tax mitigation strategies, estate planning, and more. There are a lot of variations in service models and offerings, so identifying the one that aligns with your needs is critical. It's important to note that the term Financial Advisor is a regulated term and should be considered differently as opposed to other titles like Financial Planner, Estate Planner, Account Manager, etc.

3. Why Evaluation Matters

Selecting the right financial advisor is crucial because they will play a significant role in shaping your financial well-being. A good advisor can provide invaluable guidance, helping you make informed decisions and navigate complex financial situations. On the other hand, an ill-suited advisor may lead you astray, potentially costing you time, money, and peace of mind. Think of a financial advisor as your personal Chief Financial Officer (CFO). What criteria would you be looking for? Well, I'm sure you would want someone you trust who understands your priorities and objectives and has a proven track record in that role.

4. Core Criteria for Evaluating Financial Advisors

Now, let's delve into the key criteria you should consider when evaluating financial advisors.

a. Qualifications and Credentials:

Look for advisors who hold relevant qualifications and credentials, such as Certified Financial Planner (CFP), Chartered Financial Analyst (CFA), Accredited Wealth Management Advisor (AWMA), or Certified Public Accountant (CPA). Professional designations indicate a commitment to professional standards and ongoing education.

Although they are not required in the industry, professional designations are a good indication that this advisor takes their career seriously.

Licensing is also an important consideration. The Financial Industry Regulatory Authority (FINRA) requires advisors to pass a securities exam to recommend or offer securities or investment management services. Here is a brief synopsis of various licensing through FINRA:

Series 6 – Enables brokers to sell mutual funds and variable annuities

Series 7 – Enables brokers to sell stocks, bonds, options, and virtually any security through a brokerage custodian. Commodity futures contracts are not permitted, however.

Series 63 – Foundational license for brokers

Series 65 – Permits advisors to act as investment advisers in the U.S. and carries the fiduciary standard requirement.

Life and Health Insurance – This license permits an advisor to offer insurance products like annuities, life insurance, Long-Term Care insurance, etc.

*You can visit <https://brokercheck.finra.org/> to identify what licensing an individual currently holds.

Be aware that some insurance agents will use a “fiduciary” designation they acquired with a small financial commitment. This does not carry the same fiduciary responsibility as the proper licensing compliance.

b. Experience and Track Record:

Evaluate the advisor’s experience in the industry and their track record of helping clients achieve their financial goals. Consider factors such as the length of their career, the types of clients they serve, and any notable achievements or accolades. The FINRA broker check tool listed above will provide required disclosures like when the advisor first became licensed and previous employment history. It’s quite common for individuals to change roles in the financial industry, so understanding how long they have been a fiduciary advisor versus another role in the industry is important. Requesting a copy of the advisor’s regulatory brochure, which is called ADV part 2B, will also disclose this information.

c. Fee Structure and Transparency:

Understand how the advisor is compensated and ensure that their fee structure is transparent and aligns with your preferences. Some advisors charge a flat fee, while others may earn commissions or a percentage of assets under management. Be wary

of hidden fees or conflicts of interest. A fiduciary advisor is required to disclose general fee practices in what's known as the firm's brochure (ADV part 2A)

d. Communication and Accessibility:

Effective communication is essential for a successful advisor-client relationship. Look for an advisor who is responsive, attentive to your needs, and able to explain complex financial concepts in plain language. Consider how you prefer to communicate—whether it's through in-person meetings, phone calls, or email—and ensure that the advisor is willing to accommodate your preferences. The communication commitment to clients should be documented right up front, in my opinion. That gives you clarity, and if a client has concerns about that you can talk through it and come to an agreement on communication expectations.

e. Alignment of Interests:

Choose an advisor whose interests are aligned with yours. The advisor's business model will offer helpful clues on where their priorities lie. Do they have a consistent process for solving problems for clients and detailed planning? Do they have a documented service schedule they hold themselves to? Is the review schedule as frequent as you would like? Will they be addressing your concerns, or are they just selling a product or account? Avoid advisors who appear to prioritize their favorite product and focus too much on the benefits of that product. Rather, look for advisors who are committed to acting in a fiduciary capacity, meaning they are legally obligated to put your interests ahead of their own.

f. Fiduciary Duty:

Speaking of fiduciary duty, it's crucial to ensure that your advisor is held to this standard. A fiduciary is legally bound to always act in your best interest, providing unbiased advice and avoiding conflicts of interest. Ask prospective advisors if they are fiduciaries and request written documentation if necessary. Be aware of potential conflicts of interest like restrictive selling agreements and advisors who have their favorite product or strategy and won't recommend anything else. There is no one-size-fits-all strategy. To truly act in your best interest, the advisor should have a broad knowledge of their products and services.

g. Investment Philosophy:

When selecting a financial advisor, it's crucial to understand their investment philosophy to determine if it aligns with your personal goals and risk tolerance. Some advisors may advocate for active management, while others might lean towards a passive or index-based strategy. Ensure that you are comfortable with the advisor's investment approach and that it supports your long-term objectives. Many firms claim to create a "customized portfolio" tailored to each client. In reality, this often means they have a preferred blend of strategies that they adjust

slightly for individual clients. A truly customized portfolio focuses on the specific financial outcomes you wish to achieve, taking into account your unique circumstances, preferences, and risk appetite rather than applying a one-size-fits-all solution.

h. Client References and Reviews:

Don't hesitate to ask for references or testimonials from current or former clients. Hearing about other clients' experiences can provide valuable insights into the advisor's professionalism, communication style, and ability to deliver results. Be wary of online reviews and ratings to gauge the advisor's reputation. Just like any other internet reference, take them with a grain of salt.

5. Red Flags to Watch Out For

What if you visited your doctor, and she immediately recommended open heart surgery without any additional testing? You would probably be skeptical of the advice, right? I would run and never speak to that doctor again. Likewise, if, in the first meeting, an 'advisor' claims to know what is in your best interest without performing the appropriate due diligence through analysis and planning, you should probably be leary as well. Be on the lookout for these additional red flags that may indicate an unsuitable advisor also.

These can include:

- Lack of transparency regarding fees or conflicts of interest
- Pressure to make hasty decisions or purchase specific products.
- Limited communication or accessibility
- Poor track record or disciplinary history
- Lack of licensing compliance
- Unwillingness to provide references or supporting documentation for their recommendation.

If you encounter any of these warning signs, proceed with caution and consider seeking advice elsewhere.

6. The Importance of Personal Fit

Finally, remember that selecting a financial advisor is not just about credentials and track records—it's also about personal fit. You should feel comfortable discussing your finances with your advisor and confident in their ability to understand your unique situation and goals. Trust your instincts and choose an advisor who feels like the right fit for you.

7. Conclusion: Empowering Your Financial Journey

In conclusion, evaluating a financial advisor may seem daunting, but by considering the criteria outlined in this white paper, you can make an informed decision that sets you on the path to financial success. Remember to prioritize qualifications, transparency,

communication, and personal fit, and don't hesitate to ask questions or seek additional guidance along the way. With the right advisor by your side, you can navigate the complexities of finance with confidence and clarity, empowering yourself to achieve your long-term goals in a way that aligns with your values. By following these guidelines, you can embark on your financial journey with confidence, knowing that you've chosen a trusted partner to guide you every step of the way. Here's to a prosperous future!

About the Author:



Ed Harris is the Founder and CEO of Apogee Wealth Management, as well as the driving force behind Apogee Wealth Academy, a 501(c)(3) organization dedicated to helping individuals and families build brighter financial futures through education. With a passion for making financial concepts accessible, Ed empowers people to take control of their financial well-being, guiding them toward confidence and security in their financial decisions.

Ed's journey of service began at the young age of 15 when he entered the ministry, instilling in him a deep sense of purpose and a desire to uplift others. This early experience shaped his values and commitment to helping those around him, a theme that resonates throughout his professional life. With over 20 years of experience in the financial sector, he combines professional expertise with a genuine commitment to serving his clients. Through Apogee Wealth Management, Ed helps clients navigate complex financial landscapes, ensuring they have the knowledge and strategies needed to achieve their long-term goals.

His holistic approach to wealth management focuses not only on investment strategies but also on the emotional and psychological aspects of financial decision-making. Ed understands that financial health is intertwined with personal values and life goals. By taking the time to listen to his clients and understand their unique situations and aspirations, he tailors his advice to meet their specific needs, fostering a sense of trust and partnership.

Alongside his wife, Melissa, Ed raises their five children with values rooted in health, fitness, and personal growth. Family is at the core of his life, and he believes in leading by example. Whether cheering on their kids at football, track, basketball, or gymnastics events or fostering meaningful connections through his work, Ed brings warmth, care, and encouragement to everything he does. He actively participates in community events and workshops, sharing his knowledge to help others improve their financial literacy.

An advocate for financial literacy initiatives, Ed believes that education is the key to breaking the cycle of financial insecurity. Through Apogee Wealth Academy, he aims to reach underserved communities, providing resources and support to help individuals and families achieve financial independence. His vision is to create a world where everyone has the tools and knowledge to make informed financial decisions, ultimately leading to a more secure and prosperous future for all. Ed Harris is not just a financial advisor; he is a beacon of hope and a catalyst for change in the lives of many.