



SMART INSIGHTS FROM PROFESSIONAL ADVISORS

5 Questions to Ask Before You Hire a Financial Professional



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You've been saving, contributing to your work savings plan and even doing some investing for your retirement, and now you've decided you need help.

Or, more help. Or, better help.

Where should you even start? There are countless financial professionals out there, referring to themselves by different titles, listing various licenses and affiliations, and offering grandiose claims for peace of mind in your golden years. How do you possibly narrow it down to an industry leader who's really right for you?

In the end, it will come down to the person you feel you can trust, who welcomes your questions and concerns, and who will be on your side for the long haul. You can get a sense about whether someone is a good fit from an interview – but you have to go into it prepared with the right questions and how the responses will help you meet your goals.

Here are some questions to get you started.

1. DO YOU WORK FOR ANY SPECIFIC COMPANY, AND WHAT INVESTMENTS DO YOU RECOMMEND MOST?

The answer will tell you how the person operates. Are you dealing with a broker working toward corporate quotas, or are you dealing with an adviser who wants to work for you and toward your goals?

Think of it like a visit to a new doctor. You wouldn't want to be prescribed something until you had a thorough examination. If you did need treatment, you would want to choose from the best options, not just the ones with which the medical group has made an agreement.

You want to hear advisers say that they are client-centric, not product-centric. And advisers shouldn't be able to give you any advice until they have completed a full analysis of your situation.

2. WHAT IS YOUR INVESTMENT APPROACH?

One term you may hear is “buy and hold,” which means to invest for the long term. It's a philosophy that's been around for a while and might make you feel safe and comfortable. The problem is when it turns to “buy and hope.” That may not be the best prescription for today's investors. What you're trying to decipher is whether the adviser just isn't current with new strategies, or maybe, going back to the doctor metaphor, the adviser is more interested in treating a lot of patients rather than taking the time to figure out what's best for each.

On the other hand, if the approach is to buy a lot of stocks and trade them back and forth, you're likely dealing with more of a stockbroker mentality, where commissions are made from each move. Your age should also be a factor here. If you are close to retiring, there may be too much risk involved compared with the risk tolerance you had earlier in your career.

What we recommend is a match approach – not too cold, not too hot, but just right. You want an adviser who doesn't have just one strategy, but rather a plan customized to meet your goals and needs.

3. WHAT ARE YOUR FEES?

Most consumers don't know much about the different ways financial professionals are paid: fee-only, fee-based or commission-based.

Again, the structure that's best for you will depend on where you are in your financial life. If you're a do-it-yourselfer, a fee-only adviser or stockbroker might work well for your needs. But for most people, a fee-based adviser is the best option. This type of adviser will be looking out for your money full time. Why? The adviser has skin in the game. Your loss is the adviser's loss, and your gain is their gain.

What you really want to hear is that your adviser can work under whatever structure you need at that particular time. If this were a doctor, your adviser would be your primary care physician and your specialist, with the knowledge and experience to offer you the best scenario.

4. WHAT'S THE MINIMUM AMOUNT OF MONEY YOU WILL WORK WITH?

Many financial professionals start out as brokers selling products to anyone who needs them. But then, as they gain experience, many realize they don't want to be pulled off track by lots of small accounts, so they'll set a minimum on the amount of money they'll manage. This can be good or bad depending on where you are with your portfolio. But if you're looking for an adviser who has opted for quality over quantity, a minimum isn't a bad thing. It means you're getting someone who's focused on your needs.

5. HOW ARE YOU DIFFERENT FROM OTHER ADVISERS?

This question can really put people on the spot. If potential advisers spout a company line about "our firm," they may be telling you that they track the home office's goals, not yours.

Advisers you are considering should be able to tell you what makes them special, what sets them apart. For example, do they have a focus on tax planning or preservation or estate planning? You want to get a sense that they care. You want to see passion, that they love what they're doing and that this is more than a job to them.

Potential advisers should have more than 10 years of experience to have been through recent market trends and fluctuations – and survived. In addition, they should be able to speak to their ability to team up with other professionals – tax and estate attorneys, CPAs, etc. – to be able to offer comprehensive wealth management.

You should interview advisers – but they should also interview you. If they don't think they can suit your needs, you want them to be willing to say so and give you a referral to an adviser who might be a better fit.

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