GUIDE

Evaluating your Options

How to Find a Financial Advisor that Works for You

Choosing the right financial advisor is a critical step in achieving financial security. This guide will help you focus on must-have elements for a strong relationship.

PLANCORP®

Your Financial Life Advocate.

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When you have the right financial advisor on your side, you can stay focused on what matters most in your life.

While you're enjoying time with your family, advancing in your career, and moving closer to your personal goals, you can feel confident that your advisor is on top of any opportunities and occasional challenges that arise as your life and your money gets more complicated.

Finding that kind of relationship is rarely a matter of luck. Instead, you should carefully compare your options to find an advisor that can deliver everything you need—whether you're hiring your first financial advisor or feel like you're not getting enough from your current one.

The marketing materials offered by financial advisory firms typically aren't enough to help you make an informed choice. Websites and brochures can make a firm sound great. Even a one-on-one interview with a potential advisor can be tricky if you're not sure what questions to ask and what services you need. That's when a smooth sales pitch can lead you into the wrong relationship.

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So, how can you tell if an advisor really has the right experience, approach, and resources to meet your needs? This eBook will give you a framework for assessing an advisor and their firm by focusing on these critical areas:

- The individual advisor's experience and credentials
- The firm's expertise and depth of services
- The firm's policies and wealth management approach
- The firm's fee structure

Finding this kind of relationship starts by understanding what you truly need from a financial advisor. This eBook will help you evaluate your current relationship and consider what might be missing.

CHAPTER 1

What to Look for in a Financial Advisor

The potential value of a relationship starts with the person who will be guiding your financial decisions. You're looking for someone with deep knowledge and experience to back up their advice, and you want to gauge whether that advisor is a good fit for your family's needs. Above all, you want someone you trust.

You learn a lot about an advisor once you start working with them—as you may have discovered with your current advisor. Trying to get a sense of what it will be like to work with an advisor before you hand over the keys to your finances can be more challenging, but here are three qualities to look for during your search:

01 An advisor who always acts as a fiduciary.

It's critical to know that your advisor will provide objective advice that's not tied to any financial incentives or other benefits they might gain (often at your expense). A fiduciary is legally required to act solely in their clients' best interests. If an advisor doesn't make their fiduciary standard immediately clear, ask them if they'd be willing to put their commitment in writing.

02 An advisor who offers comprehensive wealth management services.

Wealth management entails a lot more than just handling an investment portfolio. You want an advisor who takes a hands-on role in your overall financial health and security. Look for an advisor whose regular services include:

- Financial planning
- Tax planning
- Estate planning assistance
- Charitable giving assistance

It's worth noting that many advisors say they offer these services but feel more comfortably managing your portfolio and may not regularly volunteer their insights in other areas. The best advisors don't wait for you to ask questions. They're proactive about managing your complete financial picture—alerting you to tax reforms or policy changes that might affect you or calling out financial matters that might not be top of mind in your day-to-day life.

How to Ask a Prospective Advisor About Their Services

If an advisor doesn't discuss a full range of wealth management services in your initial conversation, try asking these questions to get a sense of their expertise and approach:

- What are some of the tax strategies you evaluate for your clients?
- What elements are included in your financial plans?
- What are some common estate planning strategies you use?

While an advisor won't offer personalized advice in a first meeting, their answers can help demonstrate their familiarity with these issues and how proactive they'll be about pursuing these strategies for you.

03 An advisor with experience helping clients like you.

Every financial plan should be unique, but advisors who typically work with families like yours have a grounding in the factors that affect your goals and needs. That experience can help them immediately understand your financial situation, along with the various risks, opportunities and challenges you might face.

Finding an experienced advisor can be especially important if you're in one of these categories:

- High-net worth families
- Executives
- Business owners
- Early-career high earners
- People nearing retirement

Consider the difference between a primary care physician and a specialist. For general health issues, a primary care doctor is perfectly skilled at performing regular check-ups and treating common conditions. But in some cases—like if you're a performance athlete or you need hip replacement surgery—you need a specialist who focuses on unique patients or complicated procedures, day in and day out, for years.

You also might need an advisor with a deeper level of knowledge if you're interested in special areas of investing, such as:

- ESG Investing
- Private investments
- Diversifying from concentrated positions in a single stock in a tax-managed manner

Advisors who specialize in clients with your needs won't need time getting up to speed on the issues that you face. They're attuned to tax law and policy changes that could impact you. They're aware of complications that often arise for people in your position. And to guide you through difficult decisions, they're able to share examples from their career experience and identify with you. Ultimately, that expertise will not only help you gain clarity, but will also give you confidence in your advisor and the work you do together.

CHAPTER 2

Financial Advisor Credentials: Which are Most Important?

You may have noticed that advisors go by many different professional titles, which are often followed by a trail of different three-letter acronyms representing special designations. They seem important—but not all titles and credentials are as valuable as they sound.

It's important to keep in mind that titles are unregulated. Firms can make up whatever job titles they want for various positions, so you can't judge an advisor's experience or qualifications based on the title they use. Professional designations, however, can tell you something about the advisor's training and experience. Some designations require years of experience, continued education, and testing, which can help you gauge an individual advisor's potential expertise, training, and skills.

Here are three of the top designations to look for:

Certified Financial Planner (CFP)

This is the most comprehensive financial planning designation, and earning it requires advisors to:

- Complete courses in topics such as investment planning, saving for retirement, and education planning

- Pass a two-day board exam
- Demonstrate three years of related professional experience or two years of apprenticeship

When you see this designation, you can feel confident the advisor is well-versed in the broader wealth management issues that arise at every life stage, including topics like insurance, taxes, retirement, and estate planning.

Chartered Financial Analyst (CFA)

This designation focuses on issues related to investments and the financial market, such as portfolio management, economics, financial analysis, quantitative methods, and corporate finance. Advisors generally consider this credential the most difficult to earn because it requires candidates to:

- Complete 900 hours of study
- Pass three exams
- Have at least four years of professional experience in making investment decisions

The benefit of working with a CFA is that you can expect them to be extremely knowledgeable and competent with the most complex issues related to investments and financial analysis.

Certified Public Accountant (CPA)

This designation focuses on the accounting side of wealth management, and requires advisors to:

- Complete at least 150 semester hours of course work
- Pass an exam on topics such as financial accounting, auditing, and regulation

Advisors with this designation should have deep knowledge of taxes and accounting and can assist in strategic decision-making focused on tax planning. While an advisor who's also a CPA won't file taxes on your behalf, that background proves useful if you're looking to develop a tax-efficient financial plan.

Ethical standards

In addition to continued education and exams, these three important designations require advisors to meet rigorous ethical standards. Advisors with the CFP credential is also required to deliver the fiduciary standard of care.

Some advisors will even go a step further to demonstrate their commitment to meeting the fiduciary standard with an additional fiduciary designation such as the Accredited Investment Fiduciary (AIF). Advisors with an AIF designation must complete training and pass an exam, plus meet a code of standards and ethics.

CHAPTER 3

Your Financial Team: Why You Should Like Your Advisor's Firm, Too.

Your advisor is your personal contact and captain of your wealth management strategy, but it's important that he or she is backed by a strong team. That's why it's critical to look beyond your individual advisor and learn about the entire firm.

A cohesive team with depth and breadth of knowledge makes your advisor—and their advice—even more valuable. It also helps ensure that you'll never be left adrift in the case of advisor turnover. Promotions, job offers at different firms and retirement are natural events in an advisor's career. If the person serving you moves on, you want to be sure that they'll be replaced with someone you can trust. If you've selected a firm carefully, other professionals in the office will already know who you are. They'll have some knowledge of your family's situation, and they'll be prepared to pick up where your advisor left off.

Here are some important qualities to look for in an advisory firm:

A firm-wide fiduciary commitment

When assessing how a firm approaches its overall responsibilities, considering how seriously it takes its fiduciary duty tells you a lot about their commitment to you. A firm's fiduciary designation can help give you confidence in their practices, so consider seeking a firm that has earned the CEFEX Seal of Excellence.

A strong team

Great advisors don't work in isolation. They have a team of other experts to tap whenever they need more information on a complex subject. Look for firms embracing a team approach so your advisor can pull in expertise from across the firm.

The CEFEX Seal of Excellence is an accreditation for investment fiduciaries established by the Centre for Fiduciary Excellence. CEFEX certification is a rigorous process that includes regular auditing by a team of expert analysts who ensure a firm adheres to the industry's best practice standards. The audit involves a voluntary review of client records and processes. When you work with a firm that's CEFEX certified, you can feel confident about their practices.

Here are some of the specialists you'll want to see in a firm:

- Investment experts, including a Chief Investment Officer or investment committee, with access to the best investing data and research
- Tax experts
- Estate planning experts
- Specialists focusing on retirement plans and exit plans for business owners
- Specialists in family offices for managing multi-generational wealth

It's also helpful to look for a firm that routinely hires younger advisors, so you know there will be someone to take over your relationship if your advisor retires or gets promoted. If the average age of advisors at the firm skews older, make sure you also know the firm's succession plan.

How to Ask an Advisor About Their Team

Ask these questions when you interview advisors to learn more about the firm and whether it takes a team approach:

- Who else would be helping manage my wealth besides you?
- What resources do you have available it I have special financial needs such as selling a business or managing complex investments?
- Who are the firm's key decision-makers?
- Will others in the firm know my situation or work with me personally?
- What's the average age of the firm's advisors?
- If the firm is small or has mostly older advisors, what is the firm's succession plan?

Service & communication

Many people seek a new advisor when they realize they aren't getting enough attention from their current one. A good firm will stay in regular contact with you and ensure you get prompt service and answers to your questions. Here's the type of service and communication you should expect:

- **Regular meetings — and availability when you need them.** Whether they're semi-annual or quarterly reviews, your advisor should meet with you on a regular basis to review your financial plan. But significant events that alter your financial course can happen any time, so it's important you can meet with your advisor outside of those regular meetings, too. Maybe your family is growing, your parent needs long-term care, or your business partner decides to part ways. These are all situations where you may need to revisit your financial plan immediately, and your advisor should be available to help you work through important decisions without waiting until your next scheduled review.

- **Ongoing communication.** In addition to meetings, you should expect frequent and accessible communication from your firm. Whether it's by email, phone or video, your firm should check in often. When big, life-changing things happen, you might think to call your advisor. But sometimes circumstances change, and the potential financial impact doesn't come to mind. That's why your advisor should continuously monitor your plan throughout the year and reach out to discuss adjusts, so it remains a living reflection of your changing circumstances.
- **Contact with firm leaders.** Another sign of a good firm is one that offers regular interaction with the firm's decision-makers, like the CEO, the Chief Investment Officer, and the Chief Planning Officer. These executives shouldn't be strangers—you should have the opportunity to see and talk to them throughout your relationship with the firm. That open line of communication keeps them in touch with your experience as a client at the firm, and it gives you an opportunity to share your thoughts and opinions with the people in power.

How to Ask an Advisor About Service and Communication

- How often do you conduct regular review meetings?
- How can I get in touch with questions, and when can I expect a response?
- Will you be available for additional meetings if needed?
- How often should I expect to hear from you or the firm?
- Will I be able to meet with firm executives like the Chief Investment Officer or Chief Planning Officer?
- What kinds of information updates will you provide throughout the year?
- How can I check my accounts?

- **Advanced tech support.** Look for a firm that combines the best of the human touch and technological support, so you can access the information and advice you need quickly and easily. A firm that uses sophisticated financial tools, such as Monte Carlo simulations, can help you determine your plan's likelihood of success. Online access to your accounts can help you quickly and conveniently access up-to-date information whenever you want.

CHAPTER 4

Payment Structure: Ensuring Your Investment Dollars Work for You

There's one more important detail to pay attention to when comparing advisors: The way they get paid. Unfortunately, not all advisors operate by the same methods, and how an advisory firm generates revenues and compensates its employees is a critical factor in the quality and type of advice you receive.

You want a firm that's fee-only, rather than fee-based or commission-based. What's the difference? A fee-only firm is paid only by you—and the other clients they serve. The firm will charge a fee based on a percentage of assets they're managing, and that fee typically decreases with the size of your account.

A fee-based or commission-based firm, on the other hand, receives some or all its compensation based on the products they sell or the investment trades they make. In other words, the firm is receiving money from big financial institutions to recommend specific investments or is generating revenue by frequent buying and selling of stocks and bonds. Those sources of revenue can influence their advice: Instead of making unbiased recommendations that are solely in your interest, they may steer you toward specific products or financial moves that net the advisor, or the firm, a financial reward. For the same reason, it's also important that your advisor is salaried and doesn't receive compensation from sales competitions or referrals they make to outside providers.

An advisory firm should be transparent about fees, leaving no question about how they make money or hidden costs that will surprise you later. You'll want to see a clear fee schedule, with fees based on percentage of assets, for example. The firm should also state clearly if it requires a minimum account size or charges fees for accounts under that minimum.

Understand the impact of investment fees

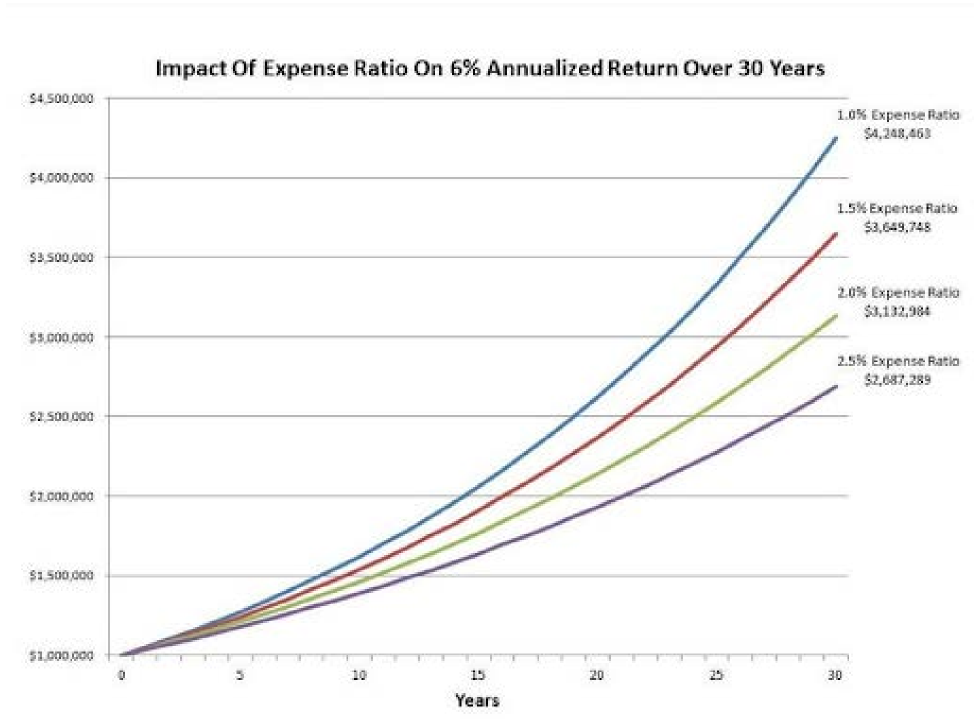
While investors are increasingly paying attention to how advisors earn their money, many still overlook just how much high investment fees can impact their returns. For most people, mutual funds and ETFs will make up a big portion (if not all) of their investment portfolios. These professionally managed investment vehicles charge fees to cover the cost of the fund managers and analysts, as well as cost of recordkeeping, accounting, tax management, and other services. Those fees are passed on to shareholders and taken directly out of your fund returns.

The fees charged by different mutual fund and ETF providers vary widely. But working with an advisor who offers lower-cost investment options can help you achieve higher returns.

How Fund Expense Fees Can Hurt Your Progress

A fund's expense ratio measures operating funds relative to the fund's total value, and fund expenses can have a significant impact on your portfolio over time.

Consider what happens to $1 million invested in a fund with a 6% annualized return over 30 years: With an expense ratio of 1%, the portfolio grows to $4,248,463. But with an expense ratio of 2.5% the portfolio only reaches $2,687,289—a $1.5 million gap in your potential savings.



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Choosing the right advisor is too important to leave to chance

Comparing the approach and service offerings across different advisors might not be as intuitive as comparing the features of a car or a refrigerator but spending the time to find the right advisor can be a huge boost to your long-term financial success. And when you're armed with a clear vision for what you want in an advisory team, you can look beyond marketing materials, ask the right questions, and compare your options critically.

Finding an advisor with the experience that fits your needs, and who's backed by a strong team and expert information, helps ensure that you will cover the essential factors that make a real difference in managing your wealth. And you can rest easy knowing that you and your advisor share the same top priority: Achieving your family's goals.

How to Ask an Advisor About Fees

- What is the overall cost of working with you?
- How does the firm generate revenue?
- How do advisors at the firm get paid?
- Do you take part in sales contests or receive incentives for referrals?
- What types of investment vehicles do you use, and what are their typical expense ratios?

Why Plancorp?

Plancorp is a financial services firm founded in 1983 with a strong belief in independance, objectivity, and allegiance to our clients.

Fiduciary Partner

We're here to serve you; not the other way around, which is why we proudly display our CEFEX Certification.

Comprehensive

Our deep knowledge of complex financial strategies helps create a Living Financial Roadmap that evolves *with* you.

Collaborative

In addition to your advisory team, we'll consult with other valuable financial specialists (i.e. accountants, lawyers) to make the best recommendations.

Experience with a Human Touch

We get to know you and your family personally to understand your values so we can engage the right team, technology, and tactics.

Contact Us

Would you like more personalized guidance?

Visit StartMyPlan.com and complete an assessment to receive personalized information based on your inputs.

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