



3 Tips for Working With Your Financial Advisers

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With the sad state of financial affairs many investors find themselves in these days, some people are rethinking the way they make investment decisions. Whether you have placed your financial future entirely in someone else's hands, have most of your savings in your company's retirement plans, or have a patchwork portfolio with a little here-a little there, you are probably seeking counsel from a financial adviser or planner of some sort. Here are three tips for making the most of your relationships with financial professionals.

Tip #1: Investor – know thyself

Some financial planners and advisers are very good at helping clients articulate their goals, and the ones who are really good at this generally charge for the service. The more work you and your life partner do before meeting with your adviser, the less it should cost you. "The better that clients know their own needs and biases, the better they can be at finding a financial planner that can meet those needs," according to John Comer, CFP®, a financial planning practice consultant.

In addition to setting goals, it's important to understand your current financial situation. "Be prepared – good planners usually charge by the hour, so you are wasting money if you do not have all of your important documents when you meet him/her," says Sara Stolberg, CFP®, CDFA, of CanIKeepTheHouse.com. Gathering your records and detailing all the aspects of your finances may also help you clarify your goals, as you may find that your finances are in better – or worse – shape than you thought.

The most important thing is to understand what you are trying to accomplish with each financial relationship, because if you don't have specific goals in mind, no planner or adviser is likely to satisfy your needs. No matter how small the task, clarify your objectives (with your spouse or partner, if you have one) and be able to communicate them as best you can before you meet with any adviser.

Tip #2 – Work with someone you can trust

One of the biggest obstacles to getting good financial advice is learning to trust your adviser. One way to build trust is to make sure the financial professional you engage is an expert in accomplishing what you need done. Often this means working with a number of different professionals or firms instead of entrusting everything to one adviser.

Building trust in your financial adviser can require much effort on your part. “If I am going to trust someone with my money, I want to get to know that person,” advises David Mickelson, president of Southern California-based Mickelson Capital Consulting. In benchmarking for investment decisions, he says: “You need to be able to get your arms around the people and your head around what they are doing with your money.”

Start with the due diligence you would expect your adviser to perform before suggesting investments to you. Most top financial professionals have credentials and are regulated by the credentialing bodies, so in many cases you can find out if they have disciplinary actions pending or a history of client complaints. You can check out financial planners who hold the certified financial planner (CFP®) designation at <http://www.cfp.net/learn/disciplineactions.asp>. Brokers and brokerage firms are regulated by the Financial Industry Regulatory Authority and can be researched at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/index.htm>. To see details about investment advisory firms, you can find their public disclosure documents at <http://www.sec.gov/IARD>.

If you work with a financial planner or investment professional, “tell the adviser about all the aspects of your finances and goals,” says Nancy L. Anderson, CFP®, “think tank” director for the financial education firm Financial Finesse. Anderson tells of a client from her previous private practice who brought her a sum of money to manage but did not tell her of a similar amount invested through another adviser. She later discovered that the other adviser’s decisions overlapped with hers, cutting down on the diversification in the client’s total portfolio. “Put your cards on the table, and don’t play planners against each other. If you have money invested with another plan, be sure to disclose that so your planner can consider everything when giving you advice,” she said.

Whether you are unsure about the advice you are getting from someone else or are managing your own investments in self-directed accounts, don’t be afraid to get a second opinion. Anderson advises investors to get an unbiased second opinion, even if that means paying a fee for it. “Look for a planner who is well-established, someone who’s not hungry, who has been in business for more than 20 years, and that the planner does fee-only planning,” she said.

Tip #3 – Invest in the process

Once you’ve settled on a financial professional to trust, don’t just walk away. “It’s your money – no matter who you work with, you are responsible for your investments,” according to Anderson. She advises investors to be active partners in the financial planning relationship, not simply to hire someone to “do it for you.”

Linda Descano, CFA®, president of Citicorp’s Women & Co., agrees that investors don’t need to cede control over their assets once they hire a financial planner. “Having the guidance of a financial adviser doesn’t mean surrendering complete control,” Descano wrote. “On the contrary, your participation is vital to making the process work, so stay as involved as you want to be. The more you know, the more you’ll get out of the relationship.”

Anderson said investors need to understand each asset they are considering acquiring. “Educate yourself, have your planner educate you – and keep asking questions until you understand,” she advised. In particular, she said, it is important to understand the terms for each investment, and to make sure your understanding and your adviser’s understanding are the same.

This is especially important when it comes to adviser compensation, according to Chuck Rylant of C. J. Rylant Wealth Management, who says, “Be crystal clear how your planner is paid!” The bottom line here is that no one works for free – somewhere along the line your financial adviser is making some money in exchange for advising you. If you are not paying an advisory fee or commissions, the adviser is being compensated some other way. If you understand where his/her compensation is coming from, there is less chance that you will make a financial decision that benefits your adviser more than it does you.

Understanding the terms of an investment – as well as its risks and how it affects your entire portfolio – is particularly important when dealing with alternative investments, according to Nick Stonnington, president of The Stonnington Group, an L.A.-based wealth management firm. “Given the risks, using a suitable financial adviser to oversee your alternative investments should be a requirement,” he said. Nancy Anderson’s suggestion to seek an “unbiased second opinion” may give investors holding alternative investments in self-directed accounts some reassurance that their financial decisions have a reasonable chance of success in meeting their goals.

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