moneywise
FINANCIAL ADVISORS

Finding Trustworthy Financial Advice

Here are some criteria and tools to help you get started.

These are the minimum requirements:

- Your prospective advisor needs to be educated. Financial planning is a very broad discipline. It's not just about investments, and it's not just about insurance—it's about an array of topics that also includes taxes and estate planning.
    - Check credentials: A "certified financial planner," CFP, or PFS (granted to CPAs who have demonstrated their knowledge and expertise in personal financial planning) are a good indication an advisor knows what they are doing. And once these designations are established, they must be maintained through required continuing education to keep them current.
    - Evaluate experience: advisors should have at least five years' experience, but I like 10 or 15, mainly because they will already have been through multiple serious financial crises.

- Make sure the advisor operates under a "fiduciary" standard. A fiduciary has a legal and regulatory obligation to always act in a client's best interest. Not all advisors have made that commitment. This differs from the suitability standard in many brokerage/insurance firms, which requires that a product or service only be appropriate. There's simply no reason why you should settle for anything less than a fiduciary standard. Not one. Unfortunately, most investors are unaware of the difference. They simply assume that an advisor is giving advice that's in their best interest, making them vulnerable to exploitation.

- An advisor's investment recommendations should be based on facts, not personal opinions. A potential wealth manager's advice should be derived from evidence-based, peer-reviewed academic periodicals. All suggestions should be easily understandable, transparent, and make sense. One of the things I'm most proud of is that many of my clients have said they had an "aha" moment – they finally understood how markets work, how prices are set, and how to develop a winning investment strategy. You should walk away from a meeting with your wealth advisor with the same information.

- An advisor should be "eating their own cooking" by participating in the same investment vehicles they're recommending.

- Since financial strategies can fail for reasons that have nothing to do with an investment plan, it's critical that an advisor uses a holistic approach to planning and integrates an investment plan with an overall estate, tax, and risk management approach. For example, an investment plan can fail because of premature death, a disability that prevents one from working, a shortage of creditor protection, or a lack of sufficient life, casualty, property, or personal liability insurance. Because of this, a well-developed financial plan must include a detailed analysis of the need for life insurance.

The choice of a financial advisor is one of the most important decisions you will ever make. To ensure you end up with a qualified, trustworthy wealth manager, it's imperative that you do your homework.

Resources:

Book
What Your Financial Advisor Isn't Telling You: the ten essential truths you need to know about your money by Liz Davidson. CEO of Financial Finesse – the nation's largest workplace employer wellness program provider – Liz has seen and heard it all when it comes to the hunt for a quality advisor. The ten items she highlights in this book are precisely the ones I tell people to focus on when seeking professional financial services. This easy-to-read book is an ideal guidebook for finding the right advisor.

Firms
For many decades if you didn't have $500,000 to $1 million, you didn't meet the asset minimum to become a client of many wealth managers. Technology has changed all of that. There are now a variety of high-quality firms to choose from, no matter how much or how little you have to invest right now. Two of my favorite firms in the new robo-advisor category are Betterment and Ellevest (a company founded by women for women). Then there are long-established firms now offering advisory services with either lower minimum asset sizes or more innovative pricing models, such as Vanguard's Digital Advisor.

Another way to find high-quality investment and financial planning guidance is to search for firms and advisors meeting certain criteria. For example, I'm a huge fan of a newly blossoming service called Financial Life Planning. To find advisors whose practices are rooted in this concept you can see a list of firms trained (as I was) in this area by the pioneering firm, MoneyQuotient. If you are a fan of index-like investing and what to check out advisors who utilize an evidenced-based investment philosophy you can search a database to find an advisor near you who utilizes mutual funds created by Dimensional Fund Advisors, a firm I love and who are industry stalwarts when it comes to this type of investing.

And yet another way is to search databases from two of the highly regarded industry certification groups. To be a part of one or both of these groups, advisors must meet a very rigorous set of standards. The CFP Board (CFP stands for Certified Financial Planner) and NAPFA (which stands for the National Association of Personal Financial Advisors) each maintain member databases. I find their membership threshold standards to be top-notch.

Women in Need

What if you find yourself in such a financial pickle that you can't afford to pay for the advice you need to get out of the money dilemma you are in? Then say a big word of thanks to Stacy Francis, founder of the non-profit organization Savvy Ladies. Savvy Ladies operates a Free Financial Helpline staffed by volunteer CFP professionals. Savvy Ladies also has an excellent on-demand database of webinars from financial experts discussing a wide range of money topics. You can get help from a real person and access resources to further educate yourself through one non-profit.