



# Everything You Need to Know Before Hiring or Changing Financial Advisors

Whether you're a seasoned investor or just starting, this resource provides key insights to empower you in making informed decisions about your financial future.





Navigating the realm of financial advisors, whether you're considering a new hire or a change, is a critical journey that involves understanding the nuances of advisor types, qualifications, fees, and communication styles. It's equally vital to recognize potential red flags in your current arrangement to ensure your financial well-being aligns with your advisor's best interests.

## **What Are Financial Advisors?**

Financial advisors are professionals who offer guidance and strategies on managing your money, investments, and overall financial health. They bring to the table a depth of knowledge and expertise that spans across various financial domains such as investment management, estate planning, tax planning, and retirement planning.

A financial advisor's role is to align their financial strategies and advice with your individual goals, helping to steer you toward financial stability and prosperity.

Selecting the right financial advisor is pivotal, as this person or entity will play a significant role in shaping your financial future.

A capable advisor does more than just manage your investments; they provide clarity during uncertain financial climates, offer insights to help you make informed decisions, and work diligently to create a robust financial plan tailored to your unique needs.

The relationship between a client and their financial advisor is built on trust, and finding an advisor whose values and vision align with yours is crucial.

## **Choose a Fiduciary Over a Suitability Standard Advisor**

Choosing a financial advisor who adheres to a fiduciary duty is crucial, as these advisors are legally bound to put their clients' best interests first.

This goes beyond offering suitable advice; it means avoiding conflicts of interest, being transparent about fees, and ensuring that every recommendation is made with the client's financial well-being as the top priority.



Fiduciary advisors are typically compensated through fees paid directly by clients, aligning their success directly with the client's success. This model fosters trust and ensures that clients can feel confident in the unbiased nature of the advice they receive.

In contrast, advisors operating under the suitability standard are only required to provide recommendations that are suitable based on the client's financial situation and goals.

While this does offer a level of protection, it allows for potential conflicts of interest, as advisors can recommend products that yield higher commissions for themselves, even if a less expensive, more appropriate option is available. Over time, this can erode investment returns, especially when high-fee products are recommended.

## **Types of Financial Advisors**

Understanding the different types of financial advisors is essential for making informed choices to meet one's financial goals and preferences.

### **Robo-Advisors**

Robo-advisors represent the technological frontier of financial advisory, automating investment management with algorithms and artificial intelligence. Clients input their financial information and goals into an online platform, and the robo-advisor generates and manages a portfolio accordingly.

This type of service typically comes with lower fees due to its automated nature, making it an attractive option for cost-conscious investors, especially those who are just starting out or have simpler financial situations. However, the lack of human interaction might not be suitable for individuals who seek personalized advice or have more complex financial needs.

### **Traditional Financial Advisors**

Traditional financial advisors are individuals who work directly with clients to provide a wide range of financial services, from investment management to financial planning. They are known for their personal touch, offering face-to-face meetings and building relationships with clients over time.



Traditional advisors often work for larger financial institutions or operate their own practices. While they can provide comprehensive and personalized services, their fees are typically higher compared to robo-advisors, and their services may be more suited to clients with higher net worth or more intricate financial situations.

### **Certified Financial Planners (CFP)**

Certified Financial Planners are a subset of financial advisors who have attained the CFP designation, showcasing a high standard of competency and ethics in financial planning. They undergo rigorous training and are required to pass a comprehensive examination to earn this designation.

CFPs cover all aspects of financial planning, including retirement, investment, tax, estate planning, and insurance, providing holistic financial advice. Clients seeking an all-encompassing approach to their finances, with a trusted certification backing their advisor's expertise, might find CFPs to be an excellent choice.

### **Registered Investment Advisors (RIA)**

Registered Investment Advisors are firms or individuals registered with either the Securities and Exchange Commission or state securities regulators. They are legally held to a fiduciary standard, meaning they must act in the best interest of their clients. RIAs typically offer a wide range of investment-related services and are compensated through fees based on a percentage of assets under management.

This fee structure aligns their interests with their clients, as their revenue increases when their clients' assets grow. Investors looking for high-level investment advice and a fiduciary level of care might find RIAs to be a fitting option.

### **Hybrid Advisors**

Hybrid advisors combine elements of both robo-advisors and traditional financial advisors, offering a balanced approach to financial advisory. Clients can benefit from the efficiency and lower costs associated with automated investment management, while also having access to human advisors for personalized financial planning and advice.



This model is particularly appealing to individuals who appreciate the convenience of technology but also value the ability to speak with a financial professional when needed. Hybrid advisors provide a modern solution, catering to a broad spectrum of clients seeking both innovation and human expertise in managing their finances.

Types of Financial Advisors	
TYPES	DESCRIPTION
<b>Robo-Advisors</b>	<ul style="list-style-type: none"><li>Automated Investment Management With Lower Fees</li><li>Suitable for Cost-Conscious and Less Complex Financial Situations</li></ul>
<b>Traditional Financial Advisors</b>	<ul style="list-style-type: none"><li>Personalized</li><li>Face-to-Face Services With Higher Fees</li><li>Better for Higher Net Worth or Complex Financial Needs</li></ul>
<b>Certified Financial Planners</b>	<ul style="list-style-type: none"><li>Holistic Financial Planning With CFP Designation</li><li>Ideal for Comprehensive Advice</li></ul>
<b>Registered Investment Advisors (RIA)</b>	<ul style="list-style-type: none"><li>Fiduciary Standard</li><li>Fee-Based</li><li>Suitable for High-Level Investment Advice</li></ul>
<b>Hybrid Advisors</b>	<ul style="list-style-type: none"><li>Blend of Robo-Advisor Efficiency and Human Expertise</li><li>Appealing to Tech-Savvy Clients</li></ul>

## Factors to Consider Before Hiring a Financial Advisor

Once you have assessed a financial advisor's qualifications and fee structure, the next step is to consider the services they offer, their investment philosophy, communication, accessibility, and their experience and track record.

### Qualifications and Certifications

When selecting a financial advisor, scrutinizing their qualifications and certifications is paramount. Advisors with reputable certifications, such as Certified Financial Planner (CFP) or Chartered Financial Analyst (CFA), have undergone rigorous education and testing, demonstrating a serious commitment to their profession and adherence to high standards.



It is essential to verify that the advisor's certifications are current and in good standing, as this reflects their dedication to continuous learning and ethical practice. Additionally, check if they have any specialized qualifications relevant to your specific financial needs, as this can provide further assurance of their expertise in those areas.

Besides certifications, consider the advisor's educational background and any additional training they have received. An advisor with a strong foundation in finance, economics, or a related field will have a comprehensive understanding of the complexities of the financial world.

Investigate whether they engage in ongoing education to stay abreast of the latest industry trends and regulatory changes, ensuring that they can provide up-to-date and informed advice.

## **Fee Structure**

Understanding an advisor's fee structure is crucial as it directly impacts the cost of their services and, potentially, the advice they provide.

### **Fee-Only**

Fee-only advisors are compensated solely through the fees their clients pay them, and do not receive any commissions for selling financial products. This fee structure reduces the potential for conflicts of interest, ensuring that the advisor's incentives are aligned with those of the client.

### **Commission-Based**

Commission-based advisors earn their income through commissions on the sale of financial products. While this can make their services more affordable upfront, it can also create incentives for advisors to recommend products that are not in the best interest of the client.

### **Fee-Based**

Fee-based advisors combine elements of both fee-only and commission-based models. They charge their clients a fee for their services, but also earn commissions on the financial products they sell. It's important for clients to understand how these fees and commissions work together, and to ensure that the advisor is transparent about their compensation.



## **Performance Fees**

Some advisors charge performance fees, meaning they earn a percentage of the profits generated by the client's investments. While this can align the advisor's incentives with those of the client, it can also encourage riskier investment strategies.

## **Services Offered**

The range of services offered by a financial advisor can vary significantly, making it crucial to ascertain whether their offerings align with your needs. Some advisors provide comprehensive financial planning, covering everything from investment management to estate planning and tax strategies. Others may specialize in specific areas, such as retirement planning or risk management.

Assess your financial goals and needs before meeting with potential advisors, creating a checklist of services that are important to you. During consultations, inquire about their expertise in these areas and request examples of how they have assisted other clients with similar needs.

This will help ensure that the advisor can provide tailored and relevant advice, contributing meaningfully to the achievement of your financial objectives.

## **Investment Philosophy**

An advisor's investment philosophy shapes the strategies they employ and the advice they provide, making it a critical factor to consider. Some advisors might adopt an active investment approach, attempting to outperform the market, while others may prefer a passive strategy, focusing on long-term growth and minimizing costs.

Understand their approach to risk management, asset allocation, and investment selection, ensuring that it resonates with your investment preferences and risk tolerance.

Discussing past market downturns and their strategies during such times can provide insight into their resilience and investment philosophy. It's important to feel comfortable and aligned with their approach, as this fosters trust and aids in maintaining a steady course through various market conditions.



## Communication and Accessibility

Effective communication and accessibility are vital in any advisor-client relationship. An advisor should be readily available to answer your questions, provide updates on your financial plan, and address any concerns that arise. Evaluate their communication style, frequency of updates, and availability for meetings, ensuring that they meet your expectations.

Inquire about their preferred methods of communication, whether it be through emails, phone calls, or in-person meetings, and ensure that it aligns with your preferences. A responsive and communicative advisor enhances transparency and trust, playing a crucial role in the success of the advisor-client relationship.

## Experience and Track Record

An advisor's experience and track record provide valuable insight into their expertise and reliability. Look for an advisor with a robust history in the industry, demonstrating stability and the ability to navigate various market conditions. Investigate any disciplinary actions or complaints filed against them, as this could be indicative of potential issues.

Request references or case studies showcasing their experience working with clients in similar financial situations. Discussing their past successes and challenges can provide a comprehensive understanding of their capabilities, helping you make an informed decision. Opting for an experienced advisor with a clean track record contributes to confidence in their ability to guide you towards achieving your financial goals.

Factors to Consider Before Hiring a Financial Advisor	
FACTORS TO CONSIDER	DESCRIPTION
Qualifications and Certifications	Scrutinize Certifications, Education, and Specialized Expertise
Fee Structure	<b>Understand Various Fee Types:</b> Fee-Only, Commission-Based, Fee-Based, Performance Fees
Services Offered	Match Services With Your Financial Needs and Goals
Investment Philosophy	Assess Their Approach, Risk Management, and Alignment With Your Preferences
Communication and Accessibility	Evaluate Their Communication Style, Availability, and Transparency
Experience and Track Record	Seek Experienced Advisors With a Stable Track Record and Investigate Any Issues





## How to Find Potential Financial Advisors

There are various strategies to identify trusted professionals who can assist you in achieving your financial goals.

### Referrals From Trusted Friends or Family

Gaining recommendations from people you trust is a timeless and efficient method of finding a reputable financial advisor. Friends and family members who have had positive experiences with a financial professional can offer firsthand accounts of their interactions, the advisor's responsiveness, and their overall satisfaction with the services provided.

It's important to inquire about how the advisor has helped them achieve their financial goals and any challenges they encountered in the process. By gathering this information, you can get a sense of whether the advisor's skills and approach align with your own financial needs and expectations..

### Online Platforms and Directories

The digital age has made the search for financial advisors more accessible than ever before. Online platforms and directories provide a plethora of information on financial professionals in your area, complete with client reviews, service offerings, and regulatory records.

Websites like the Certified Financial Planner Board of Standards, Inc. (CFP Board) or the Financial Planning Association (FPA) allow you to search for certified financial planners based on your location. These platforms often include ratings and reviews, giving you insights into the advisors' client satisfaction and performance.

### Local Financial Planning Associations

Local financial planning associations serve as excellent resources when searching for a financial advisor. They offer directories of certified professionals and can provide information about their credentials and areas of expertise.



Additionally, many associations organize local events, workshops, and networking opportunities, allowing you to interact with various advisors in person. This face-to-face interaction can be invaluable in assessing an advisor's communication skills, approachability, and compatibility with your financial planning needs.

Engaging with advisors through these associations also provides an added layer of credibility, as members are often required to adhere to specific ethical standards and continuing education requirements.

## Hiring Process

The following steps ensure that you engage the right financial advisor who not only possesses the necessary qualifications but also aligns with your personal and financial aspirations.

### Initial Consultation

The initial consultation sets the tone for your relationship with a financial advisor and provides a crucial opportunity for evaluation. During this meeting, you should aim to understand their competence, communication style, and how well they grasp your financial situation and goals.

Come prepared with a comprehensive list of questions covering their qualifications, experience, the range of services they offer, and their fee structure. Pay attention to how well they listen and how thoroughly they answer your questions, as this reflects their commitment to understanding and addressing your unique needs.

Besides their technical skills and knowledge, observe the advisor's interpersonal skills and values. Do they seem genuinely interested in helping you achieve your goals? Are they transparent about potential conflicts of interest and how they are compensated?

These insights gained during the initial consultation are invaluable, as they help you gauge whether the advisor is someone you can trust and feel comfortable working with over the long term.



## **Assess Fit and Compatibility**

The relationship between a financial advisor and a client is highly personal, and finding an advisor who aligns with your personality and financial aspirations is crucial.

Assessing fit and compatibility goes beyond evaluating their professional credentials; it involves understanding their communication style, values, and commitment to your financial well-being.

A good financial advisor should demonstrate genuine interest in your goals, provide clear, thoughtful responses to your queries, and show that they are invested in your financial success.

Compatibility also encompasses the advisor's availability and responsiveness. Consider whether they are accessible when you need them and how quickly they respond to your inquiries.

## **Verify Credentials and Background**

Conducting thorough due diligence is a non-negotiable step in the hiring process of a financial advisor. Ensure that the advisor holds the necessary licenses and certifications relevant to the services they offer. Verify their background, ensuring they have a clean regulatory record and no history of misconduct. This due diligence is paramount, as it helps protect you from potential fraud and ensures that you are entrusting your finances to a reputable professional.

Utilize available resources such as FINRA's BrokerCheck or the SEC's Investment Adviser Public Disclosure website to check the advisor's professional background and regulatory history.

Don't hesitate to ask the advisor directly about their credentials and to provide references. Taking these steps helps ensure transparency and provides peace of mind, knowing that you have thoroughly vetted the advisor's qualifications and integrity.

## **Review the Advisory Agreement**

Before finalizing your decision, carefully review the advisory agreement, paying close attention to the terms of the relationship, the services to be provided, and the fee structure. Ensure that all aspects of the agreement are clear and align with your expectations.



This legal document outlines the terms of your relationship, the scope of services provided, and the fee structure, making it imperative to understand every detail. Pay special attention to how the advisor is compensated, whether it's through fees, commissions, or a combination of both, and ensure that this aligns with your preferences and expectations.

Additionally, check the duration of the agreement, how it can be terminated, and any potential penalties or fees associated with ending the relationship early.



## Advantages of Hiring a Financial Advisor

These professionals offer a wealth of expertise, create customized financial plans, and provide valuable time savings and peace of mind, ultimately contributing to better financial outcomes and rational decision-making for their clients.

### Expertise and Knowledge

When you hire a financial advisor, you are tapping into a reservoir of financial expertise and knowledge. These professionals spend their careers honing their skills in investment strategies, risk management, and financial planning.

They are well-versed in the labyrinth of financial products available in the market and can provide insights and recommendations tailored to your specific financial situation. This expertise is invaluable, especially for individuals who may not have the time or inclination to delve into the intricacies of financial management.



In addition to their technical skills, financial advisors bring a third-party perspective to your financial situation. They can help you navigate emotional decisions about money, providing objective advice that is not clouded by personal feelings or attachments.

This level of expertise and objectivity can lead to better financial outcomes and more rational decision-making.

### **Customized Financial Plans**

One of the hallmarks of a good financial advisor is the ability to create customized financial plans that cater to the unique needs and goals of each client. They take the time to understand your financial situation, your risk tolerance, and your long-term objectives. Armed with this information, they can develop a tailored plan that outlines the steps needed to achieve your financial goals.

This customized approach ensures that all aspects of your financial life are taken into consideration, from your income and expenses to your investments and retirement plans.

The financial advisor acts as a holistic planner, integrating various financial components to create a cohesive and comprehensive strategy. This level of customization is difficult to achieve without the guidance of a seasoned financial advisor.

### **Time Savings and Peace of Mind**

Managing your finances can be a time-consuming endeavor, especially if you want to do it well. Hiring a financial advisor can free up your time, allowing you to focus on other aspects of your life while knowing that your financial matters are in capable hands.

They monitor your investments, keep track of changes in the financial markets, and make adjustments to your financial plan as needed.

Beyond the time savings, having a financial advisor provides peace of mind. You have a trusted professional looking out for your financial well-being, ready to guide you through life's financial challenges. This sense of security can be invaluable, especially during turbulent economic times when uncertainty can lead to stress and anxiety.



## Disadvantages of Hiring a Financial Advisor

Clients should be aware of the costs and fees associated with their services, the potential for conflicts of interest, and the fact that there are no guarantees of success in the ever-changing world of investing.

### Costs and Fees

While there are numerous benefits to hiring a financial advisor, it's important to be aware of the costs and fees associated with their services. Financial advisors are compensated in various ways, including fees, commissions, or a combination of both. These costs can add up over time, potentially eating into your investment returns.

To ensure transparency, it's crucial to have a clear understanding of how your financial advisor is compensated and to evaluate whether the value they provide justifies the costs.

Some advisors operate on a fee-only basis, charging a flat fee or a percentage of assets under management, while others may earn commissions from selling financial products. Each compensation model has its pros and cons, and it's important to choose the one that aligns with your financial situation and preferences.

### Potential Conflicts of Interest

Another potential disadvantage of hiring a financial advisor is the risk of conflicts of interest, particularly if the advisor stands to earn commissions from selling financial products. In such cases, there's a risk that the advisor's recommendations may be influenced by their desire to earn commissions, rather than by what's in your best interest.

To mitigate this risk, it's important to choose a financial advisor who adheres to a fiduciary standard, meaning they are legally required to put your interests ahead of their own. Additionally, ask about their compensation model and any potential conflicts of interest before hiring them.

Transparency is key to building trust and ensuring that your financial advisor is working in your best interest.



## No Guarantee of Success

While financial advisors bring a wealth of expertise and knowledge to the table, it's important to remember that there are no guarantees in the world of investing. The markets can be unpredictable, and even the best-laid financial plans can be affected by factors beyond anyone's control.

This uncertainty underscores the importance of having realistic expectations and being prepared for the ups and downs of the financial markets. A good financial advisor will help you navigate these uncertainties, providing guidance and support to help you stay on track toward your financial goals. However, it's important to keep in mind that the future is always uncertain, and past performance is not indicative of future results.



## Signs You Might Need to Change Your Financial Advisor

Be aware of signs that may indicate a need to change your financial advisor.

### Lack of Communication or Transparency

Effective communication is the cornerstone of any successful advisor-client relationship. If you find that your financial advisor is not communicating regularly or transparently, it may be a sign that it's time to consider a change. You should feel confident that your advisor is keeping you informed about your investments and any changes in your financial plan.



Transparency is equally important, especially when it comes to understanding how your advisor is compensated and any potential conflicts of interest. If your advisor is not forthright about these issues, it may be time to look for someone who values transparency and open communication.

### **Poor Performance Relative to Benchmarks**

While no financial advisor can guarantee success, it's reasonable to expect that your investments will perform in line with relevant benchmarks over the long term. If you notice that your portfolio is consistently underperforming, it may be a sign that your advisor's investment strategy is not aligned with your financial goals or risk tolerance.

Before making any decisions, it's important to have a frank discussion with your advisor about your concerns and to assess whether any changes need to be made to your financial plan. It's also worth considering whether any external factors, such as market conditions, may be contributing to the poor performance.

### **Changes in Your Financial Situation or Goals**

Life is constantly changing, and your financial plan should evolve to reflect changes in your financial situation or goals. If your financial advisor is not proactively addressing these changes or adjusting your financial plan accordingly, it may be a sign that they are not fully engaged in managing your financial affairs.

A good financial advisor will check in regularly to discuss any changes in your life that may impact your financial plan and will make adjustments as needed to ensure that your plan remains aligned with your goals. If this is not happening, it may be time to consider finding an advisor who is more attuned to your needs.

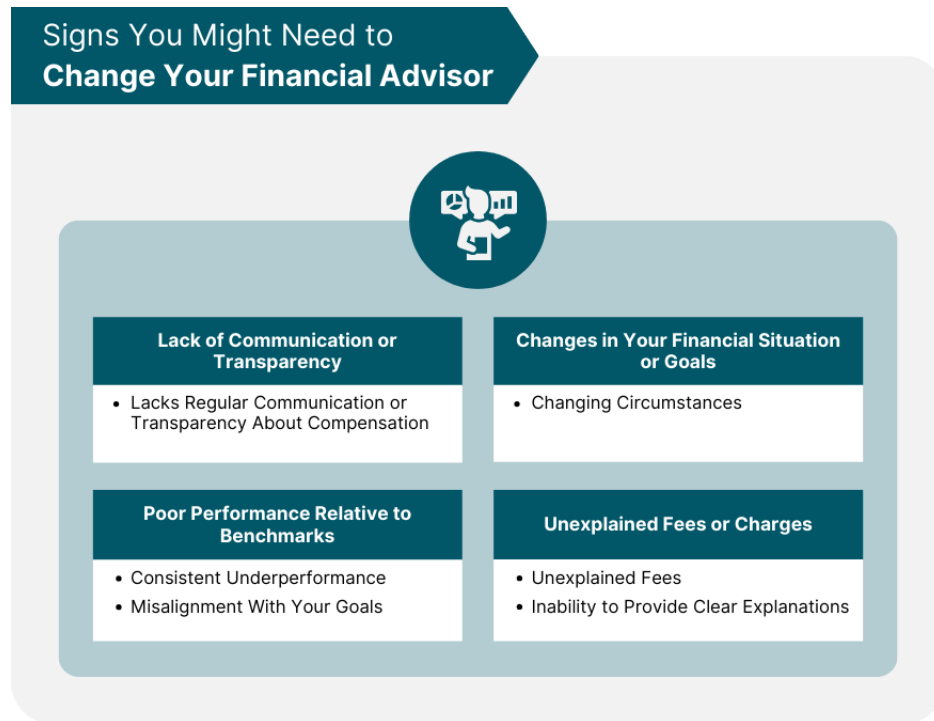
### **Unexplained Fees or Charges**

Transparency about fees and charges is critical in any advisor-client relationship. If you notice unexplained fees or charges on your account statements, it's important to address these issues promptly with your advisor.





A trustworthy advisor will provide clear and concise explanations for all fees and charges, ensuring that you understand what you are paying for and why. If your advisor is unable or unwilling to provide satisfactory explanations, it may be a sign that it's time to look for a new financial advisor.



## How to Change Financial Advisors

The steps involved in changing financial advisors include reviewing the current advisory agreement, initiating the change by notifying the current advisor, and facilitating the transfer of assets to the new advisor, ensuring all necessary paperwork is completed promptly.

### Review Your Current Advisory Agreement

The first step in changing financial advisors is to review your current advisory agreement. This document outlines the terms of your relationship with your advisor, including any fees or charges, the services provided, and the process for terminating the agreement. Understanding these terms is crucial to ensuring a smooth transition to a new advisor.

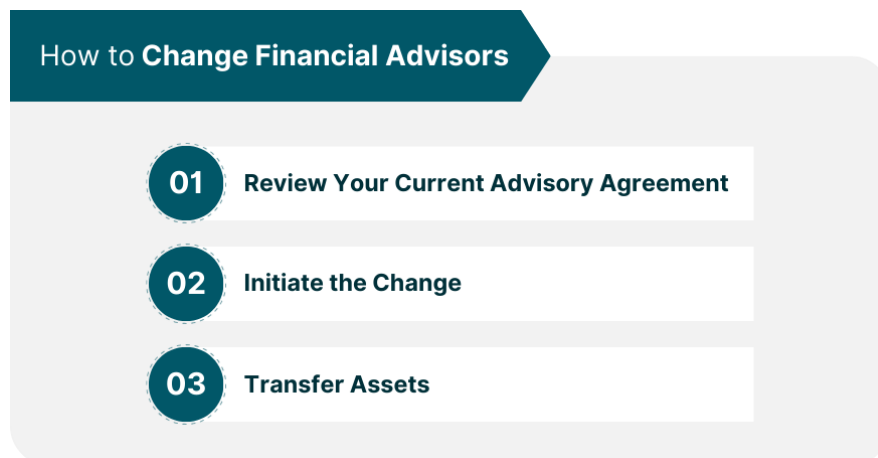


## Initiate the Change

Once you have reviewed your advisory agreement and decided to make a change, the next step is to initiate the change. This may involve notifying your current advisor of your decision to terminate the relationship, either in writing or verbally, depending on the terms of the agreement.

## Transfer Assets

With the decision to change advisors made and communicated, the next step is to facilitate the transfer of your assets to the new advisor. This process can vary depending on the complexity of your financial situation and the types of assets involved. Work closely with your new advisor to ensure that all necessary paperwork is completed and submitted in a timely manner.



## Final Thoughts

Selecting an adept financial advisor stands as a pivotal decision, profoundly influencing your fiscal health and future stability. Whether you're engaging a financial advisor for the first time or contemplating a transition, diligence in research, meticulous evaluation of qualifications, and ensuring a symbiotic match for your financial aspirations are imperative. Importantly, insist on transparency and maintain open lines of communication throughout your selection journey.

Choose a fiduciary – a professional obligated to prioritize your best interests in every financial advice and decision made. This commitment to fiduciary responsibility marks a critical distinction, setting apart advisors who are bound by this duty from those who may operate under different standards.



## Need Further Assistance? We're Here to Help



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## Why Us?



### Fee Only

We never have any hidden fees or conflicts of interest



### Fiduciary

All recommendations are in the best interest of the client, whereas other advisors' recommendations must be "suitable"



### Recognized Authority

Featured by many top financial publications, including Fortune, Business Insider, Entrepreneur, Yahoo! Finance, Forbes, US News & World Report

AS SEEN IN

**FORTUNE**

**Forbes**

**U.S. News**  
& WORLD REPORT

**yahoo!**  
finance

**Entrepreneur**

**BUSINESS INSIDER**

Kingdom Advisors 

**FEE ONLY**  
NETWORK

**NAPFA**  
THE NATIONAL ASSOCIATION OF PERSONAL FINANCIAL ADVISORS

**TABB, Inc.**  
TEXAS ASSOCIATION OF BUSINESS BROKERS

**USA TODAY**

**GOBankingRates**

**Investopedia**

**WSJ**

**nerdwallet**

The Washington Post

**COMPARISON**  
ADVISER

**BuzzFeed**

**Reader's Digest**

**ConsumerAffairs**

## Industry Recognition for What We Do

**3x Top 100**

**Investopedia Advisor**

Recognized as an industry leader for our commitment to Financial Education

**Over 500,000 people**

Have taken our 5 Money Personalities assessment

**Top Apple Podcast**

A top Apple Podcast in the Finance category