

## For financial adviser search, do homework

### **401(k) ADVISER**

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When it comes to complex subjects like investing and financial planning, most would benefit from the advice of an experienced professional. Finding the right one, however, is no easy task.

For most, the financial services industry is a confusing mass of people with similar titles and sales pitches. But despite the similarities

on the surface, important differences in knowledge, experience, and compensation structure can lead to significantly different answers to the same question. You need to uncover these differences before deciding whom to trust with your money.

### **Align your interests**

There are a lot of very capable advisers in the area, so the easiest way to narrow the field is look for an adviser whose compensation arrangement most closely aligns their interests with yours. Ideally, you want a financial adviser whose compensation is not affected by the financial decisions you make.

Would you hire a doctor whose pay changes depending on what drug they prescribe, or an estate planning attorney who only gets paid if you set up a certain kind of trust?

That's why I recommend you find a financial adviser who is compensated solely by the hour and avoid those who want to charge an asset-based fee, commissions, or finder's fees for their time. Paying your financial adviser by the hour is becoming increasingly popular because it eliminates the conflicts that plague the industry. Only in this way can you be assured their advice is in your interest and not their own.

To find financial planning professionals who will bill by the hour in your area, check out the following websites: [www.napfa.com](http://www.napfa.com), [www.letsmakeaplan.org](http://www.letsmakeaplan.org), or [www.plannersearch.org](http://www.plannersearch.org). The going rate for professional financial planning services is between \$150-\$250 per hour.

The creation of a basic financial plan for someone who has accumulated some assets should take about 10 hours. At an average cost of \$200 per hour, your initial cost would be about \$2,000. If you meet twice per year for a couple of hours each time, that will be an ongoing fee of \$800 per year. Hourly fee only advisers also tend to favor lower-cost products, such as ETF's and index funds, that may provide additional cost savings. If you have a \$500,000 portfolio and are being charged an asset-based fee of 1.5%, your estimated cost is closer to \$7,500 each year.

### **Identify objectives**

Next, identify the kind of financial advice you're looking for. You may be just getting started and looking for help creating a budget for a young family. Perhaps you're further along in life with questions about the proper asset allocation and investment strategy to maximize wealth accumulation. A few decades later, if all goes well, you'll need help with strategies for converting a lifetime of savings into retirement income and estate planning.

### **Identify services you expect**

Find out their experience working with people like yourself and don't be shy asking for a few references. Ask what services to expect should you become a client. Request a document that outlines your financial goals and a plan to achieve those goals.

You should also expect to receive benchmarks to evaluate your progress and advice as circumstances change. Finally, you need to understand all the ways your adviser will earn compensation from your relationship, and make sure to get it in writing.

### **Trust but verify**

I recommend you investigate two final things about an adviser before signing on as a client: credentials and history. Credentials, or industry designations, do not guarantee an adviser is qualified or provides good service, but indicate some level of education, demonstrated knowledge (passed a test), continuing education and ethical requirements.

A great source for investigating what the alphabet soup behind an adviser's name means is [www.finra.org/investors/professional-designations](http://www.finra.org/investors/professional-designations). The "gold standard" for financial planners is CFP® – Certified Financial Planner.

Finally, a background check is always a good idea. This will allow you to confirm how long advisers have been in business, if the advisers have had complaints filed against them, or if they have been disciplined by a current or former employer.

Sources for verifying licensing, disciplinary, and employment history include: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (investment advisers) and [www.brokercheck.finra.org](http://www.brokercheck.finra.org) (brokers).

There are a lot of talented professionals in our area and you owe it to yourself and your loved ones to find one that will provide clear and unbiased financial advice.

The material in this column is provided for informational purposes only. Neither the information nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Francis Investment Counsel does not offer personal tax or legal advice. Michael J. Francis is president and senior investment consultant of Francis Investment Counsel LLC, a registered investment adviser based in Brookfield. He can be reached at [michael.francis@francisinvco.com](mailto:michael.francis@francisinvco.com).