Questions to Ask a Financial Advisor

If you're starting to think about getting ready for retirement or you're approaching a major life transition, it might be the right time to hire a **financial advisor.** A financial advisor can help you with everything from creating a financial plan to managing and building your wealth. Of course, finding a financial advisor is easier said than done. Not all financial advisors are alike, so you'll want to be sure to do your homework to ensure you end up working with someone who is trustworthy and suits your needs. As you're weighing your options, these are the 10 questions to ask a financial advisor to decide if this is the person you want to manage your money.

1. What Certifications Do You Have?

An advisor's certifications can be a good indicator of his or her level of experience and expertise. Two of the most notable designations are the **certified financial planner** (**CFP**) and **chartered financial consultant** (**ChFC**). Both require an advisor to have a certain level of experience, complete coursework, submit to a background check and abide by a set of ethical standards.

Certifications can also indicate an area of specialization, which may make an advisor better equipped to serve your particular set of needs. Advisors with tax expertise have designations such as a certified public accountant (CPA) or a personal financial specialist (PFS), which are CPAs who also offer more comprehensive planning. Advisors with insurance expertise may hold a chartered life underwriter (CLU) designation. Of course, not all certifications carry equal weight as some are much easier to earn than others.

In addition to certifications, you should also note how many years of experience an advisor has. Experience matters in the financial field, especially through different market conditions.

2. Are You a Fiduciary?

This is a crucial question to ask a financial advisor. Fiduciaries must put their clients' best interests before their own. Because of this obligation, financial advisors who are bound by **fiduciary duty** tend to have fewer conflicts of interest and thus be more trustworthy. Financial professionals who aren't bound by fiduciary duty are simply required to uphold a suitability obligation, which means that while they must make suitable recommendations to their clients they aren't required to put their clients' best interests before their own.

You should explicitly ask an advisor whether they have any potential conflicts of interest. Some advisors may also act as insurance agents or representatives of a broker-dealer. They may earn commissions from selling or trading products, which may incentivize them to sell these products to their clients.

3. Do You Have Any Disclosures?

Advisors should be able to tell you whether they or their firm have faced any past regulatory, criminal or disciplinary actions. It's important to know whether an advisor or their firm has previously violated rules or misled consumers. A number of similar complaints filed against an advisor or firm's track record may raise a red flag.

You can also find information on a firm's disclosures in its **Form ADV** (SEC-filed paperwork). You can find this paperwork online through the SEC's Investment Advisor Search tool, or you can request the paperwork from an SEC branch. Details about a firm's disclosures are listed under Item 11 of Part A. More in-depth descriptions of the disciplinary events are provided in Part B, Item 9.

4. What Services Do You Offer?

Before choosing a financial advisor, it's important to consider whether you simply want investment management or if you want more comprehensive financial planning and wealth management services. Financial advisors often offer a wide range of services in addition to portfolio management, such as:

- Retirement planning
- Trust and estate planning
- Tax planning
- Educational expense planning
- Insurance planning
- Cash flow planning
- Charitable giving
- Business succession planning

Some advisors may specialize in helping clients navigate the financial challenges of a divorce, while others focus on getting their clients retirement ready. Advisors who cater to high-net-worth individuals and their families may offer a suite of family office services that includes comprehensive wealth management services in addition to various administrative services such as bill paying.

5. What Types of Clients Do You Specialize In Serving?

It's also helpful to ask whether an advisor specializes in working with any one type of client. Some financial advisors work exclusively with wealthy individuals and their families. Others may work specifically with business owners or people in a certain professional fields, such as doctors or university employees. Choosing an advisor who works with clients whose situations are similar to yours means they'll be better equipped to offer the type of guidance and advice you need.

6. Do You Have a Set Account Minimum?

Financial advisors typically require clients to invest a certain level of assets in order to open or maintain an account. For instance, many financial advisors only work with clients who have at least $250,000 in investable assets, while others set their minimum as high as $10 million. This figure is a good indication of the types of clients an advisor typically works with and whether or not you can afford the advisor's services.

7. How Do You Earn Money?

You need to **know how much your financial advisor will charge** for their services. Depending on the service, an advisor may charge a flat fee, an hourly fee or an asset-based fee. Typically, advisors charge a flat fee or hourly fee for financial planning services and an asset-based fee for portfolio management. Some advisors also earn commissions for selling financial products or trading securities.

A big difference to note is between fee-only and fee-based financial advisors. Fee-based advisers charge an upfront fee but they also get a commission for selling financial products. Fee-only advisors only make money from the fees they charge their clients. If you're worried about being subjected to regular sales pitches, you might be better off with a fee-only financial advisor.

8. What Extra Fees Should I Be Aware Of?

Not all costs are included in the fee an advisor charges for his or services. Advisors may charge additional fees for services that are more complex or that they consider to be extra. For example, an advisor may create a financial plan for you, but then charge extra for implementing that plan.

You'll also be responsible for trading and brokerage costs, as well as fund fees. These additional costs can add up, so be sure you're aware of all of the fees you'll be responsible for paying before deciding to work with an advisor.

9. What Is Your Investment Philosophy?

You should also ask advisors to describe their investing approach. Some advisors customize portfolios according to clients' needs, while others offer a selection of model portfolios that they assign to clients based on their needs. Advisors often offer a range of risk levels and asset allocations. However, some advisors may be more focused on asset preservation than aggressive growth. If you're not comfortable taking on a lot of risk, you'll want a financial advisor who advocates a more conservative strategy. Knowing whether or not their investment style aligns with your personal investing philosophy beforehand can save you a lot of headaches in the long run.

Advisors' investing approaches may be driven by different philosophies, such as value investing, which seeks relatively undervalued stocks with the hope they'll eventually produce strong returns, or contrarian investing, which espouses investing in opposition to the market majority. If investing for the greater social good is important to you then you may want to seek out an advisor who offers socially responsible investing.

Other key questions to ask about an advisor's investment approach are how they measure success and what the tax implications of their investment strategy are. Advisors should ideally be measuring progress against your defined financial goals within your timeline and risk tolerance rather than trying to beat the market. It's important to ask an advisor whether they're explicitly taking taxes into account when they're investing your assets as this could significantly impact your net returns.

10. How Often Do You Communicate With Your Clients?

This question can you give you a glimpse into a typical client experience with an advisor. By finding out how often an advisor is in touch with his or her clients, you can get a sense of whether there will be an open line of communication or simply quarterly updates. Some advisors may prefer frequent face-to-face meetings, while others may primarily work over the phone or via email. Some may be open to phone calls whenever a question arises, while others may prefer to stick to scheduled communications. It's up to you which communication style better suits your needs.

If you don't have much to invest, you might consider working with a **robo-advisor** rather than a traditional advisor. While you won't get the face-to-face time a human advisor offers, robo-advisors typically have lower account minimums and fees.