How to Find/Choose a Financial Advisor

Proverbs 27:23— *"Be sure you know the condition of your flocks, give careful attention to your herds."*

The verse above is the theme verse for this instruction guide. Let me forewarn you, finding the right Financial Advisor is going to take time and due diligence on your part. But finding the right expert can be a million dollar difference in your long-term financial growth.

Start your search by getting a handful of names that you have researched online that appeal to you as well as references and narrow it down to at least three. You should meet with several advisors before you decide, which is why I say at least three give or take. After going through that exercise, pick two or three advisers to visit in person and go spend an hour with them to make sure you have a good fit. If someone is taking on new clients, they will talk to you on the phone and meet with you for an hour or so at least once without charging you. The time you invest in finding the right advisor has exponential returns financially, and for your peace of mind.

Proverbs 15:22— "*Without counsel plans fail, but with many advisers they succeed."*

Think of your search for a financial advisor like finding a babysitter. There are usually five questions you would want to know about someone before you let them take care of your children or pets.

Background and History

This is simple in theory but does require you to dig. You would not want someone with a felony taking care of your kids, or even someone without a license driving your kids around. So why let someone with a bad record or no licenses take care of your money?

The first place to start is to research and see if they have any legal issues such as felonies, warrants, or a history of fraud. Another key sign is if they have been in a number of lawsuits.

1 John 4:1— "*Beloved, do not believe every spirit, but test the spirits to see whether they are from God, for many false prophets have gone out into the world."*

Another major search point is to find out if they are even a "registered advisor." Registered Advisor Credentials, licenses and areas of expertise are all factors that determine the services a financial planner can offer. Financial planners cannot sell insurance or securities products, such as mutual funds or stocks, without proper licenses. And they cannot give investment advice unless they are a registered investment advisor with the state or federal regulatory bodies.

Credentials and Experience

Imagine two teenagers approaching you to babysit for you. The first is a member of several clubs at school, has younger siblings, is CPR certified, and has a list of references from their three years of experience. The second person has none of these experiences and has never really been a part of anything but has a really big smile and promises they are the best choice. Now, this seems like an obvious choice, unfortunately many people choose the second person because most people do not continue with due diligence past a nice smile. So here is a list of credentials and qualifications that set some advisors apart and may be a specific characteristic for your situation.

Just like any industry. The financial advisor arena has a lot of specialties and focuses. You might only want someone to help you with investing, or you may want a more holistic (Big picture) approach. These certifications will help you decide which specialties cater to your needs.

CFP®—Certified Financial Planner: The Certified Financial Planner Board of Standards (CFP Board) requires candidates to meet what it calls "the four Es": Education (Education through one of several approved methods, must demonstrate a comprehensive financial plan, covering investment, insurance, estate, retirement, education, and ethics), Examination (a 10-hour exam), Experience (three years of full-time experience) and Ethics (disclosure of any criminal, civil, governmental inquiry). CFPs must adhere to the ***fiduciary standard*** (See next section).

CPA—Certified Public Accountant: Someone with a CPA license has completed a bachelors, has 150 hours of education and has passed a rigorous Certified Public Accountant exam. CPAs are known for their role in income tax preparation but can specialize in many other areas, such as auditing, bookkeeping, forensic accounting, managerial accounting, and information technology (investopedia.com).

CFA—Chartered Financial Analyst: If you are going to be analyzing a lot of intricate investments and above average financial situations, CFAs are the ones for the job. Successful candidates take an average of four years to earn their CFA charter. The program covers a broad range of topics relating to investment management, financial analysis, stocks, bonds, and derivatives, and supplies a generalist knowledge of other areas of finance. This is the most prestigious and difficult certification.

MBA—Master of Business Administration: A postgraduate degree that is awarded to students who have mastered the study of business. The real advantage of someone with an MBA is their broad scape of knowledge of business in general. Someone with an MBA may be able to help with your personal finances, as well as consult your business endeavors.

ChFC—Chartered Financial Consultant: A professional designation standing for completion of a comprehensive course consisting of financial education, examinations, and practical experience. Chartered Financial Consultant designations are granted by The American College upon completion of seven required courses and two elective courses. Those who earn the designation are understood to be knowledgeable in financial matters and to have the ability to supply sound advice.

Have Your Best Interest at Heart

Proverbs 12:5— *"The plans of the righteous are just, but the advice of the wicked is deceitful."*

What if you came home and there was paint all over the walls, your kids were hungry, and the babysitter was asleep on the couch? On the other hand, what if you came and the babysitter went out of their way to help your child with their homework and fed them a healthy snack? There are advisors like both. Here are some of the filters you can use to screen an advisor.

Fiduciary vs. Suitability—One of the most important questions you can ask your advisor is if they are a fiduciary. This confusing word means so much when you are interviewing a financial advisor. Let us break it down a bit.

Webster's Definition of Fiduciary: one often in a position of authority who obligates himself or herself to act on behalf of another (as in managing money or property) and assumes a duty to act in good faith and with care, candor, and loyalty in fulfilling the obligation.

My Definition of Fiduciary: Someone whose legal responsibility is to put your best interests first, not the interest of the company they work for.

Unfortunately, most financial planners do not act as a fiduciary; they are only required to act on ***suitability***. That means that a financial planner without a fiduciary might not do what is best for you, instead they do what is suitable for you and what is best for the company.

Educator vs. Salesman: An educator will take the time to make sure you understand the products you are using, and the decisions being made. A salesperson just wants to make commissions off of trades and must meet sales goals. If the advisor prompts you to make decisions quickly and you do not understand what you are getting into, RUN FOR THE HILLS!!!!!

Conservative vs. Aggressive: Make sure the advisor's viewpoint on investing is neither too cautious nor overly aggressive for your risk tolerance. Your ***risk tolerance*** is a fancy term for how comfortable you are with big ups and downs in an investment. If you have a very ***low risk tolerance,*** then your advisor should be able to educate you to the point where you feel more comfortable taking on long-term risk for higher returns. If you have a very ***high risk tolerance,*** then your advisors should be willing to educate you on the potential for loss and help you feel comfortable with strategies for keeping risk at a healthy level.

Proverbs 21:5— *"The plans of the diligent lead surely to advantage, but everyone who is hasty comes surely to poverty."*

"Good Questions To Ask"—Here are a few things I like to ask when talking to an advisor.

- Will you show me your personal investment portfolio percentages, and explain why you have put your money in those investments with those percentages? Your advisor may recommend different investments for you because you might be in a different stage of life, but they should be willing to show you where their money is, and why it's there (they don't need to show you how much they have, just the percentages of where they put it).
- What were the three worst investment decisions you made over the past five years, and how did you correct them?
- What is your investment philosophy? Does your advisor focus more on timing the market and picking stocks, does your advisor choose to buy and hold investments that have been around for a long time and proven themselves, does your advisor believe the world is about to end or that it is getting brighter every day? Knowing these things will allow you to find someone who believes in the same things you do or can educate you on some new horizons.

"Good Questions To Be Asked" — Know the answer to these questions before you arrive.

- How is your health? (plan long-term)
- Are you in debt?
- Are you responsible for aging parents?
- Do you have a will or trust?
- Will you inherit money someday?
- Do you need to make a major purchase like a new car or a new roof for your home?
- Do you have a retirement plan?
- Are you funding it to the maximum allowed by law?
- Do you have adequate insurance?
- Are you saving for your children's education?

How They Get Paid

So, you are online searching for a babysitter. One babysitter charges a flat rate of $50 and another charges $15 per hour, and yet another charges by performance. Which is the best rate? Well, there is not really a right choice, it is all based on your specific needs and situation. So, knowing how they are compensated is crucial to your decision.

It is also important to understand how financial services professionals are paid. Fee structures can decide the type of advice you get. Here are the most common compensation arrangements:

Fee-only: This structure is also called "fee-for-service." In it, the client pays the advisor for a specific service provided. Payment can be made by the hour or based on a fixed price, retainer, percentage of assets managed, or a combination thereof. Fee-only or fee-for-service advisors tend to uphold the "fiduciary standard," which means they must recommend the product that is best for the client. And because they are not paid by commission, they are not motivated to give you advice that results in more expensive financial products.

Fee-only independent investment advisers have no financial incentive to steer you towards a financial product that is not in your best interests. They do not sell any products and cannot receive any commissions.

Commission-based: In this fee structure, the advisor receives a percentage of the sale or premium from financial services companies after selling one of their products. These individuals often call themselves "broker-dealers." Many financial authorities, professional associations and academics believe this arrangement can lead to conflicts of interest, because the professional has an incentive to sell the product with the largest commission. Keep in mind that many commission-based advisors still have the right heart and can be educators, but it is important to get all the facts, so you get a product that is a great benefit to you, not just a commission for the firm.

Fee-based: This approach is a combination of commission and fee-for-service models—but it can be confusing because consumers often do not understand which part of the advice they are getting is "fee-only" and which part is subject to commissions. Advisors who receive a commission are subject not to the fiduciary standard but to the "suitability standard," which holds that financial advice must merely be "suitable" for the consumer—and thus, will sometimes result in the salesperson doing what is best for him or his firm, rather than what is best for you.

You would want to know if you are at peace with them.

Well, what happens if you have narrowed it down to two really good financial advisor candidates and you just cannot make up your mind? Let us go back to our babysitting example. If you cannot make up your mind between two babysitters, there are three people you should consult before choosing. These three people should also be consulted before choosing an advisor.

First, most importantly, ***consult the Lord***. Pray that Gods presence and peace is with you when you select an advisor. Ask the Holy Spirit to confirm your decision and ask for God's wisdom.

Psalm 33:11— *"The counsel of the LORD stands forever, the plans of his heart to all generations."*

Consult your spouse. Make sure you and your spouse come in alignment with what God is speaking to you. It is a really good idea to have your spouse go with you to meet with a financial advisor. Even if one person is more involved with managing the finances it is a good idea to have the other come along. If the advisor avoids educating your spouse or neglects their input that is a huge red flag. Sometimes your spouse can even feel the spiritual temperature of their character and be able to discern anything the advisor is trying to withhold.

Consult your children. Stay with me, this may seem "off the wall." It might be better said, "think about your children." Your children might not be old enough to make a cognitive real life decision, but we all know how often children can point out the simple truths of life when we are over thinking things. Often, the decisions you make with finances directly impact your children and affect multiple generations. Also, a majority of advisors inherit children as clients as they grow older just like a family doctor, attorney, or insurance agent would.

Here is my final prayer to you as you go about your search . . .

Ephesians 1:17— *"That the God of our Lord Jesus Christ, the Father of glory, may give you a spirit of wisdom and of revelation in the knowledge of him."*

Check Out Kingdom Advisors

My final piece of advice is to visit KingdomAdvisors.com, this is a great tool for finding a Christian financial advisor who has been certified on Biblical wisdom, technical competency, ethical standards, and personally give and steward their own finances. If someone is a ***Certified Kingdom Advisor®*** they are given to ongoing Biblical teaching on finances, their licenses and certifications are reviewed to make sure there are no ethical black marks, and they are giving a part of their income and personally stewarding what God has entrusted to them.

Other Resources

To find a CFP—http://www.letsmakeaplan.org/

To find an advisor in the area—http://www.plannersearch.org/

To find an advisor in your area—http://www.respond.com/ and/or http://www.wiseradvisor.com

To find an advisor that will take on small tasks for an hourly wage—Garrett planning network.

To find a NAPFA certified advisor—http://www.NAPFA.org

To Review an advisors rating—http://financial-advisors.credio.com/

Provided to COGOP Stewardship Ministries
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Written by Jonathan Arosemena

Reviewed & Edited by David Thompson | Associate Pastor

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