10 Questions to Ask When Interviewing a Financial Advisor

Find the advisor with the knowledge and expertise to guide you toward a financially stable and worry-free life.

Hapanowicz & Associates
WEALTH MANAGEMENT

You've worked hard all your life, you're proud of your accomplishments, and you are financially successful. Now that you've accumulated assets, you're wondering how to best manage them to support your lifestyle and family. Whether you're starting to think more seriously about retirement and what that means for your savings and investments, or perhaps you've recently gone through a major life change, such as a divorce, and are ready to feel more financially stable as you enter the next chapter of your life, **finding a reliable financial advisor that you can build a meaningful relationship with is key.**

If you're thinking about switching financial advisors or choosing one for the first time, you may feel overwhelmed. Should they be local? Should they be a large firm? Will they be able to handle my specific needs? By asking these 10 questions during the research process, you will feel confident that you're choosing the wealth management advisor that is going to be the best fit for you.

10 Questions to Ask When Interviewing a Financial Advisor

1. Are you a fiduciary?
2. What designations does your team carry?
3. Do you provide any services in addition to investing?
4. What is your investment philosophy?
5. What are the costs?
6. How often will I be hearing from you?
7. What does your typical/ideal client look like?
8. What benchmarks will you use for my investments?
9. Who is your custodian?
10. How do I sign up with you?

1.

Are you a fiduciary?

This is an important question to ask because hiring a fiduciary is the most sophisticated way to work with a financial advisor. Fiduciaries are registered with the U.S. Securities and Exchange Commission (SEC), typically hold an advanced degree like a Certified Financial Planner™ (CFP®) or Chartered Financial Analyst (CFA®), and have significant experience in the industry.

Fiduciaries are bound to ethically act in your best interest and will not only look out for your best interests now but for the entirety of your relationship.

Specific questions may include:

- What does it take to become a fiduciary?
- What will be the difference in the advice I receive if my advisor isn't a fiduciary?
- How do I find a fiduciary advisor?

2.

What designations does your team carry?

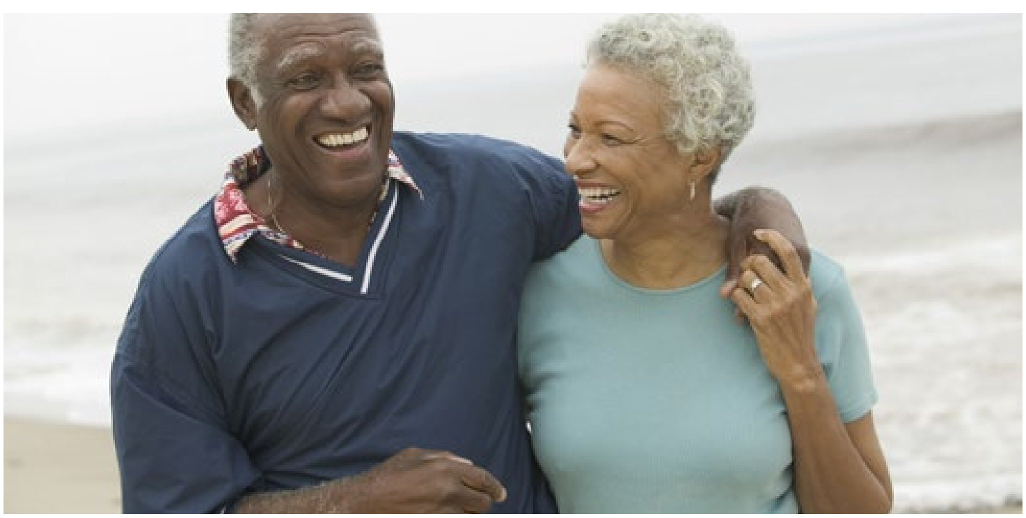
It's important to understand the infrastructure of the advisor you're planning on working with. Do they have professionals that are CFPs®, CFAs®, Retirement Income Certified Professionals (RICP®), and/or Accredited Investment Fiduciaries (AIF®)?

These credentials matter because there is a measure of **training and experience** that comes with each of them. When you see these designations, you're going to get a certain level of sophistication with your services.

Choose to work with a team that is not only credentialed but experienced. That way, you're working with industry professionals who have navigated various environments in the past and can use those experiences to help you navigate moving forward.

A specific question may include:

- What kind of experience do you have that you think contributes to how we will work together in the future?



3.

Do you provide any services in addition to investing?

When you're interviewing a potential advisor, you should be talking about **your unique goals and objectives** and how they can help you meet them. The advisor should then be able to draw on their training and talk to you about other services, such as financial planning, tax planning, etc., that typically happen in conjunction with investing. This should be a natural flow in the conversation.

For example, many people come to Hapanowicz & Associates (H&A) for money management. If the firm properly manages its clients' money, their clients' investment plans will be aligned with their financial plans, taking into consideration things like taxes, insurance, and estate planning. All of these components work together, so finding a well-rounded advisor will benefit you. That's not to say that an advisor or advisory firm that doesn't offer these services isn't as capable, but the level of sophistication you'll receive is increased when you can get these services in addition to your investment plan.

Specific additional services may include:

- Financial and legacy planning
- Tax planning
- Estate planning
- Insurance planning
- Bill paying
- Record keeping
- Family-office-type services
- Generational planning and education

4.

What is your investment philosophy?

Every advisor has their own philosophy when it comes to managing money. Some believe that they can beat the markets, some believe in trading individual securities, some believe in solely using mutual funds or exchange-traded funds (ETFs), and some firms like to use a combination of these strategies. Become familiar with your potential advisor's investment philosophy and why they chose it. By asking this question, you can **ensure your goals and objectives are aligned with their investment philosophy.**

For example, if you're retirement-oriented, you probably don't want to work with someone who specializes in microcap stocks—the two of you likely wouldn't align. Investment philosophies are going to be different from firm to firm, and this is an aspect of the relationship that you really want to naturally align on.

Specific questions may include:

- Do you trade individual securities?
- Do you use mutual funds, ETFs, etc.?
- Are you a firm that invests for the long-term? Or the shorter-term?

5.

What are the costs?

Typically in a portfolio, there are three levels of costs:

- **Trading Cost:** What it costs to buy a stock, bond, mutual fund, or ETF
- **Internal Expense:** When working with mutual or ETFs, there will be an internal expense to manage those funds. Your investment advisor has the ability to drive these costs down, and that is something they should be doing for you.
- **Compensation:** This is how your investment professional is being compensated.

Is your advisor being compensated via an advisory fee? If so, they're likely SEC-registered, which means they're a fiduciary and bound to act in your best interest. If it's not a fee, maybe it's a commission. There are a lot of reputable commission-based professionals, but a natural bias can occur when your advisor is incentivized to sell a product and make more money. **Be aware of how you'll be compensating your investment professional and make sure it's right for you.**

For example, a new H&A client compared the costs of working with H&A versus his current advisor. He thought H&A would be the more expensive firm because he compared the current firm's advisory costs to what H&A's advisory costs were. However, after H&A's investment committee did a deep dive into his investment portfolio and saw the total costs, including the portfolio and transaction fees, H&A's portfolio costs were less expensive, and the client would actually be saving money overall by working with H&A. This is a very important question to ask, and you need to be aware of all three components that are involved to get a true overview of the costs you can expect.

Specific questions may include:

- How do you get paid? Advisory fee? Brokerage fee?
- What are the portfolio costs, including transaction fees/trading costs?
- What are the costs of any financial planning you may conduct on my behalf?
- Are there costs associated with liquidating my account in the future if I choose to do so?
- Do you earn more if you recommend certain products or services?

6.

How often will I be hearing from you?

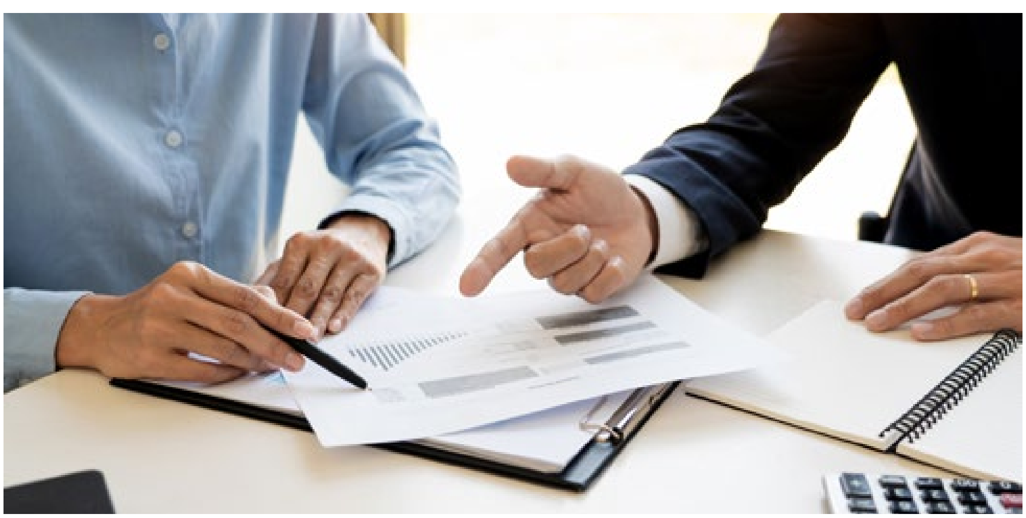
Part of the beginning of your relationship with your financial advisor is talking about communication. Some clients want to have quarterly, in-person review meetings, while others want to meet annually. Make sure your advisor has the infrastructure to **do what works best for you.**

Often in newer relationships, communication happens more often because there are a lot of moving parts that need to be solved, which is normal. After six months to a year, you'll likely get into a rhythm of communicating with your advisor.

Don't be afraid to ask this question. Discussing this upfront allows you to have a more seamless relationship from the beginning, setting you up for success.

Specific questions may include:

- How many meetings will we have annually?
- Will we communicate via phone or email?



7.

What does your typical/ ideal client look like?

You should be asking your potential advisor what their typical relationship looks like. You don't want to be the biggest fish in the pond and end up being the research subject. On the other hand, you don't want to be the smallest fish in the pond either because you likely won't get the attention that you want and need.

Align yourself with a firm that has the infrastructure and client base to meet your needs. Gather quantitative factors such as typical asset range and age range, as well as qualitative factors like typical obstacles the advisory firm helps clients deal with.

Specific questions may include:

- What size of assets does your ideal client have?
- What are your ideal client's needs? Their goals? Their objectives? Their priorities?
- Depending on my assets, where on the spectrum do I fall in terms of size compared to your other clients?
- Is there a minimum account size you start with?

8.

What benchmarks will you use for my investments?

Once your advisor understands your goals and objectives, they can then set up an investment strategy that's personalized to you. **The ideal answer to this question is YOU—you should be the benchmark.** Your advisor should be able to provide detail that benchmarks the portfolio's performance against your goals and objectives.

Benchmarking is used to measure the performance of your account versus the market. In this way, you will be able to see not only what you have earned, but also how well the account has performed for the level of risk assumed.

Specific questions may include:

- How will you benchmark my investments?
- How else would you measure success?
- Will you help me define what my interim and long-term goals should be?

9.

Who is your custodian?

Your custodian is the firm that actually holds your money, sends you statements, and conducts the stock, bond, and mutual fund trades on your behalf. There are two types of custodians:

- **Independent financial services corporations** such as LPL Financial, Charles Schwab, and Fidelity
- **Wirehouse brokerage firms** such as Merrill Lynch and Morgan Stanley

The biggest misconception about independent firms is that they don't have access to as many resources as the wirehouses, and are therefore not as full-featured. Firms who "clear" through independent custodians have the resources of the wirehouses. Also, independent firms operate independently of the decision-making done by the executives at the custodian, unlike firms who "clear" through wirehouses. Another consideration to keep in mind is that wirehouses, in many cases, make their own "product," and their advisors are encouraged to sell that product, which can be a conflict of interest you will want to consider avoiding. Because of these reasons favoring the client first, H&A is aligned independently.

H&A is partial to the independent side of the industry as it avoids conflict of interest. The custodian has a major role to play in terms of the resources they provide to an advisory firm and therefore allows the firm to service its clients in a more seamless and efficient way. The relationship between an advisory firm and its custodian is very important. For example, **Bob Hapanowicz ranks in the top 100 out of 14,000 advisors of LPL Financial.** Therefore, H&A, with its substantial relationship with LPL, can leverage LPL's resources for the benefit of H&A's clients quickly and effectively.

Specific questions may include:

- What role does your custodian play in the decision-making of day-to-day operations and bigger picture decisions?
- What resources does your custodian offer?
- Are you set up as an independent firm?
- Does your custodian make its own product?

10.

How do I sign up with you?

After you have interviewed potential investment advisors and have gotten all your questions answered, you can make your choice. Once you're satisfied that an advisor is right for you, you can simply contact them to become a client. For H&A, the sign-up process is very straightforward and can be done right from a phone, tablet, or computer. Each advisory firm's sign-up and onboarding process is going to look a little different, but one aspect should be the same—their communication with you should be timely, professional, and tailored to your needs.

Specific questions may include:

- How long does the sign-up process take?
- Can you help me notify my current advisor that I'm transferring to you?

Ready to simplify your financial planning and wealth management?

Finding the financial advisory firm that's the best fit for you can seem like a daunting process, but taking the time to do so will be worthwhile in the long run. It's your hard-earned assets that you're entrusting a firm to manage, and asking these 10 questions will help you feel confident that the advisor you're choosing is aligned with your goals and objectives. At the end of the day, a sophisticated financial advisory firm will simplify the complexity of financial planning and managing private wealth in the ways that work best for you. You'll be able to stop worrying about your finances and start focusing on the things you love most and your vision for your future.

Speak With an H&A Advisor

Whether you have a question about building and managing your wealth or planning for your future, H&A's team of financial industry professionals are ready to guide you.

Speak with an Advisor