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The  
Fundamentals of Selecting  
the Right Advisor

## The 5 Fundamentals of Selecting the Right Advisor

Selecting the right advisor can be a defining step toward achieving your financial goals. A quality advisor may help you *define your values, marry your values with your goals, and develop a plan to reach those goals while making a meaningful impact on your life and the world around you.* This resource is designed to help you find an advisor that's right for you.

1. Be in the Know: Understand credentials and registrations
2. Take a Closer Look: Check an advisor's background
3. Assess Your Needs: Understand your goals and make sure they will be met
4. Assess Your Risk Tolerance: What type of investor are you?
5. Ask the Right Questions: Interview advisor candidates and compare their answer to your needs

### 1 Understanding credentials and registrations

Knowing an advisor's education and experience starts with understanding their credentials and registrations. With the alphabet soup of credentials available, knowing the requirements necessary to obtain each designation helps you better evaluate its importance and validity. While the knowledge attained from a single credential might be significant enough to meet a specific need, working with an advisory team who shows knowledge in diverse areas as evidenced by their collective credentials should be considered.

Here is a list of some of the major credentials and registrations and what they mean:

#### **CFP® – Certified Financial Planner™**

CFP® professionals are trained to maintain a big-picture view of their clients' financial picture and understand how each moving part can impact financial success. These professionals have fulfilled the certification and renewal requirements set forth by the CFP Board. They have a minimum of three years of professional experience or two years as an apprentice, have completed university-level financial coursework, passed a rigorous, comprehensive exam, and complete a minimum of 30 hours of continuing education requirements every two years to maintain their certification. All CFP® professionals agree to be bound by the CFP Board's *Standards of Professional Conduct*. The CFP Board enforces their policies, regulates certified professionals, and takes action against disciplinary infractions.

More information: [www.cfp.net](http://www.cfp.net)

#### **ChFC® - Chartered Financial Consultant®**

ChFC® professionals are held to a high standard of ethical care and make decisions for clients as they would for themselves in similar situations. They have completed nine or more university-level courses on financial planning, with each course averaging 50 hours of study, and complete a minimum of 30 hours of continuing education requirements every two years to maintain their certification. The ChFC® coursework includes the study of the key financial planning disciplines, including insurance, income taxation, and estate planning. They are regulated by the Certification Committee of the Board of Trustees of The American College.

More information: [www.chfchigheststandard.com](http://www.chfchigheststandard.com)

#### **Accredited Investment Fiduciary® (AIF®) and Accredited Investment Fiduciary Analyst® (AIFA®)**

AIF® and AIFA® designees are trained on investment fiduciary standards of care. To obtain the AIF® credential, applicants must complete the AIF Designation Training program and demonstrate their knowledge and understanding of the Global Fiduciary Standard of Excellence by passing the AIF designation exam. AIF designees must complete six hours of continuing professional education annually and attest to their commitment to uphold professional and ethical standards of conduct to their clients and their community, whether defined by work, family or friends. The AIFA® designation takes the AIF® training a step further. These candidates must hold an active AIF® designation, complete a specialized program on investment fiduciary standards of care and ISO assessment procedures, pass a comprehensive examination, and meet the designation's education and professional experience

prerequisites. AIFA® designees must complete ten hours of continuing professional education each renewal year and attest to their commitment to uphold professional and ethical standards of conduct.

More information: [www.fi360.com](http://www.fi360.com)

#### **CIMA® - Certified Investment Management Analyst®**

CIMA professionals integrate a complex body of investment knowledge, ethically contributing to prudent investment decisions by providing objective advice and guidance to individual and institutional investors. The CIMA certification program is the only credential designed specifically for financial professionals who want to attain a level of competency as an advanced investment consultant. The certification process requires candidates to pass two examinations: a Qualification Examination and a Certification Examination. In addition, candidates must successfully complete the Registered Education Provider's assessment during the education component of the program. They must complete 40 hours of continuing education and a compliance disclosure every two years to maintain their certification.

More information: [www.imca.org/cima](http://www.imca.org/cima)

#### **EA - Enrolled Agent**

An Enrolled Agent is a tax professional who has passed an IRS test covering all aspects of taxation, plus passed an IRS background check. Enrolled Agents have passed a two-day, 8-hour examination. The examination (called the Special Enrollment Examination) covers all aspects of federal tax law, including the taxation of individuals, corporations, partnerships, and various regulations governing IRS collections and audit procedures. Like CPAs and tax attorneys, EAs can handle any type of tax matter and represent their client's interests before the IRS. Unlike CPAs and tax attorneys, Enrolled Agents are tested directly by the IRS, and enrolled agents focus exclusively on tax accounting. They must complete a minimum of 72 hours of continuing education every three years to maintain their status.

More information: <http://www.irs.gov/Tax-Professionals/Enrolled-Agents>

#### **Independent, Registered Investment Advisor (RIA)**

Purely independent RIAs are firms registered with and regulated by the U.S. Securities & Exchange Commission. They have no broker/dealer affiliation at all. Smaller RIAs, with under \$100M in assets under management, are regulated by their respective home state. These independent firms are the only advisors legally bound as fiduciaries, required to give advice in their clients' best interest at all times. By operating independently, they are able to offer clients a broad range of solutions without restrictions or loyalties to specific products or employers.

*Note: Some RIAs may have an affiliated broker/dealer (they are NOT independent). When this is the case, they may not ALWAYS be working in a client's best interest. Under broker/dealer rules, they can recommend what is "suitable" for a client, rather than what is in their best interest. Therefore, it is very important to either know exactly when the advisor is working in your best interest and when they are not, or find an independent advisor with no broker/dealer affiliation.*

#### **GFS® - Global Fiduciary Steward**

The GFS® designation is designed to train decision-makers in leadership roles to integrate leadership, stewardship and governance into their processes. Candidates are required to complete 22 hours of onsite training and coursework and 12 hours of leadership research each year for continuing education requirements. Coursework covers topics including fiduciary standards, ethical decision-making, leadership tenets, stewardship attributes and the governance process, and is regulated by 3ethos.

More information: [www.3ethos.com](http://www.3ethos.com)

#### **Certified 401(k) Professional - C(k)P®**

The Retirement Advisor University's Certified 401(k) Professional designation program requires advisors to demonstrate their ability to effectively manage corporate retirement plans. At the core of The Retirement Advisor

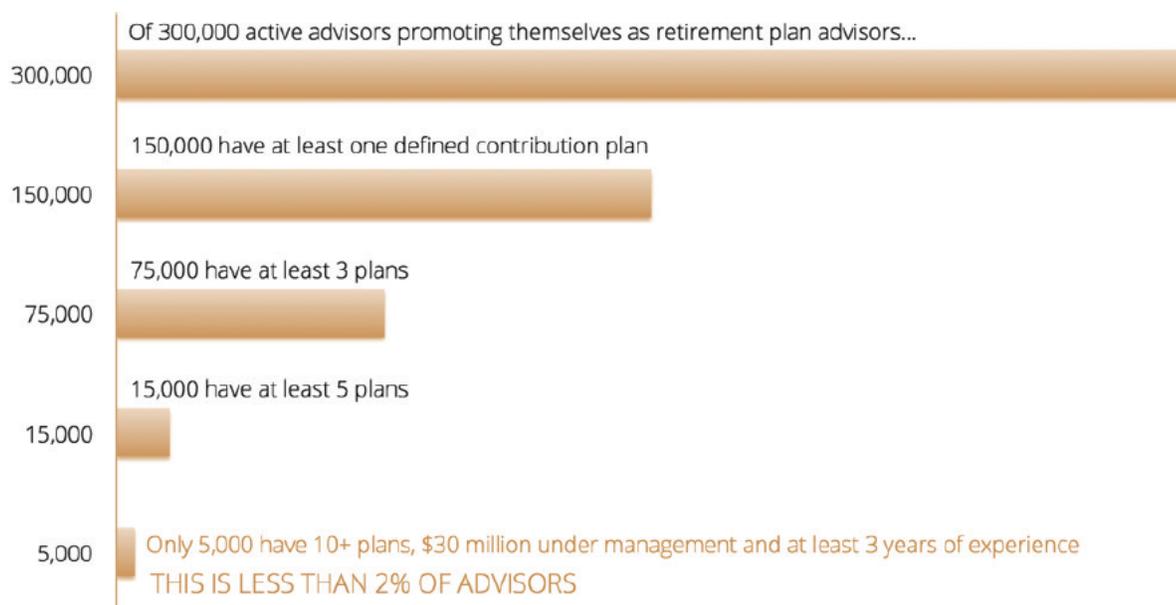
University's program is its focus on attempting to optimize plan outcomes. The program consists of 50 courses, a proctored examination, writing a case study detailing real examples using knowledge from the courses, and three days of classroom training at UCLA Anderson School of Management in Los Angeles. Advisors must manage a minimum of 10 defined contribution plans with \$30 million in plan assets and have at least three years of experience to qualify for the designation. Continuing education requirements include a minimum of 12 hours of coursework each year.

More information: [www.trauniversity.com](http://www.trauniversity.com)

### PPC™ - Professional Plan Consultant

The required coursework to earn the PPC Designation is the 401k Service Training Program. The 401k Service Training Program is a practice management curriculum for retirement plan professionals which covers the six critical plan management steps plan sponsors must follow, reviews ERISA regulations, industry best practices, and resources for common retirement plan issues. Candidates must have 3 years of financial industry experience, complete a two-day training program, and pass an examination process. They must also pledge to maintain high standards of conduct by signing the Financial Service Standards Code of Ethics, and complete a minimum of 6 hours of continuing education requirements every year.

More information: [www.financialservicestandards.com](http://www.financialservicestandards.com)



SOURCE: The Retirement Advisor University (TRAU)

*This list not an exhaustive list of credentials and required standards for obtaining or maintaining credentials may change over time. When examining the credentials of an advisor, please consider performing a designation search for the regulating body so you have the most accurate information available.*

## 2 Checking an Advisor's Background

If an advisor works for a Registered Investment Advisor (RIA), you will need to go to the Securities and Exchange Commission's (SEC) website to do a search on the firm.

**Step 1:** Go to <http://www.sec.gov/investor/brokers.htm>. You will see several options, two of which are:

- *Research Individual Brokers or Firms:* If you click this, it will give you a link to the FINRA website. The directions on how to search on the FINRA site are listed below.
- *Research Investment Advisers:* If you click this, you will be led to a new page called, "Investment Adviser Public Disclosure."

**Step 2:** Click "Investment Adviser Search" on the left navigation panel to begin your search.

**Step 3:** Choose "Firm" from the search options and type in the name of the firm for which the advisor works. If you don't remember the full name of the firm, you can type what you remember and refine the search with a Zip Code. Click "Go."

**Step 4:** If the firm is registered with the SEC, then you will see your firm listed. If you click on the firm's summary, it will tell you if the firm is registered with the SEC and link you to a new page with the firm's form ADV. Advisers file Form ADV to register with the SEC and/or the states. The Form ADV that you will view contains the investment adviser's most recent answers to the questions on the form.

**Step 5:** The navigation panel on the left of each page allows you to navigate through various sections of Form ADV.

- What am I looking for?
  - Type and Size of Firm
  - Types of Clients They Work With
  - Services Offered
  - Proprietary Interests and Broker-Dealer Affiliations
  - Record of Disciplinary History

If an advisor works for a brokerage firm, you will need to go to the Financial Industry Regulator Authority (FINRA) website to do a search.

**Step 1:** Use the SEC website link or go to <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/index.htm>. This will bring you to the "Broker Check" page. Click "Start Search"

**Step 2:** You must select the box to accept the terms and conditions before you can click "Continue."

**Step 3:** Type in the name of the broker (or the brokerage firm) in the box. Then click "Start Search."

**Step 4:** You will be asked to enter an authentication code. After typing in the code, click "Continue."

**Step 5:** Select the broker's name from the search results.

**Step 6:** This will pull up a new page that lists the advisor's registrations, employment history, etc. Pay particular attention to the question that asks, "Are there events disclosed about this broker?" If the answer is "Yes," look below for the type of event. To research further into the event, click on the icon labeled "View Full PDF Report" in the upper right-hand corner. You will find a full explanation of events in this report.

## 3 Assess Your Needs

Before you begin working with an advisor, it may be helpful to understand your needs so you can articulate them to an advisor.

### REASONS FOR SEEKING AN ADVISOR

In what areas are you needing help?

- Getting my finances in order
- Developing a financial plan
- Developing an investment strategy
- Navigating a life transition (death of a loved one, divorce, inheritance, etc)
- Other: \_\_\_\_\_

### INVESTMENT GOALS

What are you working to achieve?

- Retirement Funding
- Education Funding
- Other needs

What is your risk tolerance level?

- Use the quiz below to find out!

What is your investment timeline?

- Do you have a specific need for income at a certain time?
- Are you working toward multiple goals?

#### FOR RETIREMENT PLAN SPONSORS AND BUSINESS OWNERS

What is your experience with employer-sponsored retirement plans?

- We have never offered an employer-sponsored retirement plan
- We have offered a plan in the past, then terminated the plan
- We currently offer an employer-sponsored retirement plan

In what areas are you needing help?

- Finding a retirement plan for my company
- Enhancing my company's existing retirement plan
- Maintaining the recordkeeping and management processes for audit purposes
- Responding to the educational needs of my employees

## 4 What Type of Investor Am I?

Knowing what type of investor you are can help you find an advisor that understands your needs and can help you develop an investment strategy appropriate for your risk tolerance. To complete a complimentary risk profile questionnaire, visit:

[https://www.pocketrisk.com/shared\\_q/6bf615](https://www.pocketrisk.com/shared_q/6bf615)

## 5 10 Must-Have Questions for Advisor Interviews

Once you understand the options available to you, it is time to interview your financial advisor candidates.

1. I have a specific need for the following services (insert your needs) – how do you work to serve these needs? What other services do you offer?

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2. What credentials have you obtained? How does the training and education required to obtain these credentials help you understand my situation?

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3. How do you charge for your services? Do you have a written fee schedule?

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4. Will you acknowledge your fiduciary duty in writing? Will you and your compliance department both sign off on this acknowledgement?

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5. How many years of financial experience does your team have?

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6. How do you handle situations that fall outside of your expertise?

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7. Can you walk me through your planning and investment process?

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8. How do you manage our relationship – types of communication, reporting, access to my advisor?

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9. Will I be working with you throughout our relationship or will I be placed with another advisor?

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10. If something happens to you, is there a plan in place to continue to serve my needs or will I need to find a new advisor? If there is a plan in place, what does that look like?

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**Additional questions to ask for retirement Plan Sponsors:**

1. What type of retirement plan management support do you offer to Plan Sponsors?

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2. What type of education do you provide to my employees?

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3. How do you support both local and non-local companies and their employees?

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4. Are you a named fiduciary on my plan? And if yes, what is the scope of your fiduciary responsibility?

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*This packet is intended to help get you started on your search for a financial advisor. It does not intend to endorse any credential over another, or intend to be an exhaustive list of the steps to take toward finding an advisor. We encourage you to use this information to help organize your search, but utilize your own research and judgment when making a decision you feel is best for your situation.*

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