

# THE FINISHRICH ADVISOR QUESTIONNAIRE™

## *5 Questions to Ask Yourself, and 10 Questions to Ask the Advisor*

My FinishRich Book Series™ (*Smart Women Finish Rich*, *Smart Couples Finish Rich*, and *The Finish Rich Workbook*) is designed to give you the tools it takes to live and finish rich. But even though you now have these tools, you may feel more comfortable hiring a financial coach to help you along the way. There is a lot to be said for doing this. Whether your aim is to buy a home, plan your retirement, or pay for a loved one's college education, working with an experienced professional financial advisor who truly supports and coaches you can make a huge difference in the speed and efficiency with which you achieve your financial goals and dreams.

So how do you find the perfect advisor? To begin with, it's critical that you prepare for the interview process. The **FinishRich Advisor Questionnaire™** is a handy form you can bring with you when you are interviewing potential advisors. Unless you're very lucky, you may need to interview numerous candidates before you find the one advisor who feels like the right fit. By using this questionnaire—along with the **FinishRich Advisor GradeCard™** that follows—you'll be able to decide with confidence on an advisor who meets your needs and qualifications.

But before you head off for your interview, you should know some things about yourself and what you want out of the relationship, and you should know what sort of answers you'll be looking for in the interview. So before you begin, here are five questions to ask yourself, followed by a discussion of each of the 10 questions you'll be asking your potential advisor.

## 5 QUESTIONS TO ASK YOURSELF

### 1. Why do you want to hire a financial advisor?

What are you looking to achieve with a financial advisor? Before you hire someone, make sure you really understand why you are doing this. What do you really want your money to help you do? What's really important to you? How do you see an advisor helping you achieve your values, dreams, and goals?

### 2. What type of client are you?

There are basically three types of clients: delegators, collaborators, and instigators. Knowing which type you are makes it easier to select the right advisor. Make sure you share with potential advisors what type of client you think you are. It will help them determine if they are suited to work with you.

- ▼ **Delegators** look for a professional to handle all the details. While they like to be updated on a regular basis, they are not interested in the minute details. They don't really want to follow the markets or their accounts on a daily basis. What they really want is a professional who will handle their money and guide them on making the decisions.
- ▼ **Collaborators** enjoy watching the markets and regularly read and study what is happening in the economy. They want to be involved in both the design and the monitoring of their portfolio and they regard a financial advisor as a member of their team. In short, they want to be involved but they also want advice.
- ▼ **Instigators** consider themselves to be financial experts. They are very knowledgeable and experienced about investing. They are not really looking for a great deal of advice but rather a professional off whom they can bounce their ideas and through whom they can place their trades and investment requests.

**3. How do you want to pay your advisor?**

Do you want to pay upfront (commissions), pay as you go (fee-based), or simply pay by the hour (fee-only). Everyone feels differently. Ultimately, professional advice is not free and you will have to pay something. The real question is what are you willing to pay a year for advice and how do you want to pay for it?

**4. What is your risk tolerance?**

Can you emotionally handle losing money? Be honest with yourself. Ask yourself right now how you would feel if you invested \$10,000 and in less than a year it dropped in value to \$8,000. What if you invested \$10,000 and it grew to \$12,000? Would you be more excited by growing your money by \$2,000 in a year or more upset by losing that much? Share with your advisor how this experience would make you feel and how you think you would react.

**5. Are you really committed to your financial goals?**

A good financial advisor is a coach. But even the best coach can't help a player who isn't committed. No one can hope to achieve serious financial goals and dreams without equally serious commitment. Financial advisors are not miracle workers. In order to get anywhere, you need to save and invest and spend less than you earn—year in and year out. Are you committed to doing that? If you are, then a good financial advisor should be able to help you get where you want to go faster than doing it yourself.

## 10 QUESTIONS TO ASK A FINANCIAL ADVISOR

### 1. How long have you been a financial advisor?

This a very simple question—and yet almost no one ever asks it! Ask potential advisors how long they have been in the business and how long they have worked at their firm. If they previously worked at another financial firm, ask them why they moved.

### 2. What makes you a good financial advisor?

Start with this “warm-up” question before you ask for an advisor’s specific qualifications. Let them tell you in their own words why they think they are a good financial advisor. Listen carefully to what they say and how they appear when they say it.

### 3. What licenses, credentials, and other certifications do you have?

Earlier, I suggested you go to [www.nasdr.com](http://www.nasdr.com) to check out a potential advisor’s credentials. But you should also ask potential advisors yourself to tell you what licenses and other certifications they have. If they tell you they are a “financial planner,” ask them if they have a CFP (Certified Financial Planner) certification. If they tell you they do, double check by visiting [www.cfp.com](http://www.cfp.com). Also, don’t forget to ask candidates about their educational backgrounds.

Licenses they may or may not have include Securities, Insurance, Commodities, Registered Investment Advisor, Certified Financial Planner™ (CFP), Certified Public Accountant (CPA).

**4. Have you ever been disciplined by the NASD or any regulatory agency during your career?**

While relatively few advisors have ever been formally disciplined, I suggest you double-check what a potential advisor tells you in answer to this question. You can do this by visiting [www.nasdr.com](http://www.nasdr.com). There you can input the advisor's name and firm, and find out if either he or she has any "disclosure events" on their records. If they do, it could mean your potential advisor has had past legal problems, and you can request additional details online.

**4. What type of clients do you specialize in?**

Some advisors specialize in a very specific niche. They may focus their entire practice around doctors, corporate retirees, women divorcees, business owners. If the advisor is more of a generalist, then ask him or her to describe a typical client to you (age, assets, job, etc.).

**5. What services do you and your firm offer?**

Most financial firms today offer a wide array of financial planning products and services. Ask the advisor to share with you (in writing if possible) just what those products and services include. An advisor should be able to provide you with a brochure or information packet that explains in detail all the different things his or her firm can do for you. Planning services might include financial planning, retirement planning, insurance planning, estate planning, and taxes. Products might include stocks, mutual funds, bonds, options, managed money accounts, annuities, commodities, hedge funds, or others.

**6. Do you create a written financial plan for your clients?**

Some advisors provide extremely detailed plans and others provide nothing. Ask the advisor specifically what type of plan he or she prepares for clients. Is there a cost for this planning and its process? Can you show me a sample of the kind of plan you use with your clients?

**7. Do you spend time educating your clients about money?**

How an advisor answers this question should help you determine if this is an advisor who wants you to be an educated investor or rather simply wants you to turn over your finances to them and not ask questions. Many advisors offer investment classes, books, tapes, brochures, and educational videos—all designed to help their clients become smarter about money.

**8. How do you service your clients?**

Ask the advisor how exactly his or her firm takes care of its clients. Ask if the firm has a team in place to handle the workload—and if so, how many people are on the team? Who creates the financial plan? Who handles the transfer of my money? Who watches how my investments are doing? Who will call me to schedule review meetings and be my general contact?

**9. How do you charge your clients?**

This is one of the most important questions you need to get answered, for it will tell you a lot about what type of advisor you are dealing with. As noted earlier, there are basically four ways advisors are paid:

- ▼ **Commission.** Every time the advisor buys or sells an investment for you, he receives a commission on the transaction. Commissions can range from as little as .025% to as much as 5.5% of the total investment, depending on the kind of product involved.
- ▼ **Fee-Based.** A fee-based financial advisor typically charges a yearly fee that is determined by the amount of assets they are managing for you. These fees generally range from .050% to 3%. The more they manage, the lower the percentage they charge.

- ▼ **Fee-Only.** A fee-only advisor charges by the hour for their time and advice. Always ask this type of planner if he or she receives any other compensation for recommending particular investments. An advisor who gets commissions based on your investment selections is not a true fee-only advisor.
- ▼ **Combination Fee and Commission.** Some planners do a combination of charging for a financial plan and then offering either a commission-based relationship or a fee-based relationship. Make sure you get your advisor to put in writing what he or she charges so that you know precisely what it's going to cost you before you invest.

**10. How many clients do you have?**

Find out how many clients the advisor is currently working with. How much money are they currently managing and what is the size of a typical account? Where will you fall in terms of client size? Will you be one of their bigger accounts, or one of the smaller ones? Many advisors maintain a ranking system for clients. Does your advisor do this? If so, ask how they rank their clients and where you would rank among them.

Now you're ready to go to your first appointment, with **The FinishRich Advisor Questionnaire** in hand.

# THE FINISHRICH ADVISOR QUESTIONNAIRE™

## 1. Advisor Information

First appointment scheduled for: \_\_\_\_\_

Name of advisor: \_\_\_\_\_

Firm: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

## 2. How long have you been a financial advisor?

Years in the business: \_\_\_\_\_

Years at their firm: \_\_\_\_\_

Why he or she switched firms:

### 3. What makes you a good financial advisor?

The answer in advisor's own words:

Your notes on the advisor's demeanor:

### 4. What is your educational background and what licenses, credentials, and other certifications do you have?

#### *Education*

- Undergraduate Degree  In \_\_\_\_\_ From what university? \_\_\_\_\_
- Advanced Degree  In \_\_\_\_\_ From what university? \_\_\_\_\_
- Master's Degree  In \_\_\_\_\_ From what university? \_\_\_\_\_

#### *Licenses*

- Securities
- Insurance
- Commodities
- Registered Investment Advisor
- Certified Financial Planner™ (CFP)
- Certified Public Accountant (CPA)

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**5. Have you ever been disciplined by the NASD or any regulatory agency during your career?**

Advisor's answer:

Did what he say jibe with what you found by checking the records at [www.nasdr.com](http://www.nasdr.com)?

**6. What type of clients do you specialize in?**

Advisor's niche: \_\_\_\_\_

If your advisor has no niche, then ask:

**Could you please describe a typical client?**

Age of typical client: \_\_\_\_\_

Size of assets of typical client: \_\_\_\_\_

Occupation of typical client: \_\_\_\_\_

**7. What services do you and your firm offer?**

Check ones that apply:

<i>Planning services</i>		<i>Example of products</i>	
Financial planning	<input type="checkbox"/>	Stocks	<input type="checkbox"/>
Retirement planning	<input type="checkbox"/>	Mutual funds	<input type="checkbox"/>
Insurance planning	<input type="checkbox"/>	Bonds	<input type="checkbox"/>
Estate planning	<input type="checkbox"/>	Options	<input type="checkbox"/>
Taxes	<input type="checkbox"/>	Managed money	<input type="checkbox"/>
		Annuities	<input type="checkbox"/>
		Commodities	<input type="checkbox"/>
		Hedge funds	<input type="checkbox"/>
		Other _____	

Advisor gave you a brochure or information packet to take home    Yes     No

**8. Do you create a written financial plan for your clients?**

Yes     No

If yes, ask:

**What sort of plan?**

Cost, if any, for the plan or the time spent preparing it:

Advisor gave you a sample plan to peruse    Yes     No

**7. Do you spend time educating your clients about money?**

Yes  No

If yes, then how?

Classes

Books

Tapes

Brochures

Educational videos

**8. Who will be involved in my service?**

**The Financial Plan:** Who creates the plan?

Name: \_\_\_\_\_ Phone \_\_\_\_\_ E-mail \_\_\_\_\_

**The Transfer:** Who handles the transfer of my money?

Name: \_\_\_\_\_ Phone \_\_\_\_\_ E-mail \_\_\_\_\_

**The Monitor:** Who watches how my investments are doing?

Name: \_\_\_\_\_ Phone \_\_\_\_\_ E-mail \_\_\_\_\_

**The Service:** Who calls me to schedule review meetings?

Name: \_\_\_\_\_ Phone \_\_\_\_\_ E-mail \_\_\_\_\_

**9. How do you charge your clients?**

**Commission**

If so, what is the range of commissions?

**Fee-Based**

If so, what is the annual fee scale?

**Fee-Only**

If so, what is your hourly rate? How are the hours calculated?

Does the advisor receive any other compensation for recommending particular investments?

**Combination Fee & Commission**

Provide details:

Will the advisor put the fee arrangement in writing? Yes  No

**10. How many clients do you have?**

Number of clients: \_\_\_\_\_

Total assets under management: \$ \_\_\_\_\_

Your rank among them in terms of size of assets: \_\_\_\_\_