

Yahoo! My Yahoo! Mail

Search: 

Web Search

**YAHOO!** FINANCE[Sign In](#)  
New User? [Sign Up](#)[Finance Home](#) - [Help](#)[Home](#) [Investing](#) [News & Opinion](#) [Retirement](#) [Banking & Credit](#) [Loans](#) [Insurance](#) [Small Biz](#) [My Portfolios](#)[Special Editions](#) [Columnists](#) [Personal Finance](#) [Investing Ideas](#) [Markets](#) [Company Finances](#) [Providers](#)[Videos](#)[Get Quotes](#) 

GO

[Symbol Lookup](#) | [Finance Search](#)

## The Automatic Millionaire

by David Bach

### Five Rules for Hiring a Financial Advisor

*Tuesday, October 10, 2006*

The No. 1 question I've heard over the years is, "David, how can I find a good financial advisor?" I've literally been asked this question thousands of times.

It led me to create my 10 Golden Rules for Hiring a Financial Advisor, and today I want to share with you the five most important of these rules.

I created them to help you find, interview, screen, and rate an advisor before you hire him or her. This advice is based on my real-world experience, having been a financial advisor for nearly ten years and having grown up in the business.

#### Rule 1: Get a referral.

This is such a cliché, but it's a cliché because it's true. It doesn't make sense to start your search for a financial advisor from scratch. Most likely, you already know someone who has a great financial advisor. You just need to ask.

But whom do you ask and what do you ask them? A logical place to start is with your accountant or attorney. Both should be able to offer you more than one referral. (In fact, I suggest asking for three referrals).

Another great way to get a referral is to ask the wealthiest person you know, "Who do you use as a financial advisor?" It doesn't have to be a close friend. Ask someone you respect -- your boss, or a friend of a friend. The wealthier they are the better, because the rich tend to have the best advisors.

When getting a referral, here are the key questions to ask:

- Why do you like your advisor?
- How long have you worked together?
- What specifically have they done for you?
- Did they provide you a written financial plan?
- How often do they meet with you?
- Do they call you or do you call them?
- How do you pay them?

- Do they provide you with a performance statement that shows you how you're doing?
- Have you had any problems?
- How's their customer service?
- Will you be compensated for this referral? (Ask this of accountants and attorneys or any other professional who provides the referral.)

**Rule 2: If you can't get a referral, do your own research.**

If you've tried and you find that you really can't get a referral, try a referral service that will provide you with information about financial advisors. Here's a list to get you started:

The Financial Planning Association  
(800) 322-4237

<http://www.fpanet.org/>

The FPA's web site allows you to search by ZIP code for a certified financial planner (CFP) in a number of different specialties.

National Association of Personal Financial Advisors  
(800) 366-2732

<http://www.napfa.org/>

This site allows you to search by ZIP code for financial advisors who operate on a fee-only basis.

Certified Financial Planner Board of Standards, Inc.  
(888) 237-6275

<http://www.cfp.net/>

The CFP Board also has a search tool -- by ZIP code or name -- on its site. You can also request a free Financial Planning Resource Kit, which contains a collection of educational brochures on financial planning.

**Rule 3: Go to your first meeting prepared.**

A true financial professional will insist that you come to your first meeting prepared. Ideally, they'll provide you with a form in advance to help you get your financial documents organized and ready to bring with you.

When you go to your first meeting, you'll want to bring bank and brokerage statements (for all your investments), last year's tax returns, retirement account statements, mortgage statements, and insurance documents.

Finally, come to the meeting prepared to ask smart questions. You're there to interview an advisor who will coach you on managing your family's money, so treat this like a job interview and ask smart questions (see rule number 4 below).

**Rule 4: Treat the first meeting like an interview.**

Who you hire to manage your money is one of the most important decisions you'll make in your life, so take it seriously. You need to ask smart questions and not just hire someone because you "like them."

Here are the most important questions to ask the advisor:

- How long have you been a financial advisor?
- What makes you a good financial advisor?
- What's your educational background and what licenses, credentials, and other certifications do you have?

- Have you ever been disciplined by the NASD or any regulatory agency during your career?
- What type of client do you specialize in?
- What services do you and your firm offer?
- Do you create a written financial plan, and if so is there a cost?
- Do you spend time educating your clients about money?
- How do you service your clients?
- How do you charge your clients (commission, fee-based, fee only, combination plan)?
- How many clients do you have and how much money do you manage?

This may seem like a long list. It is -- and it should be. Again, this is a serious interview you're conducting. Hiring a good financial advisor can change your life -- and hiring the wrong one can also change your life (just not in the way you want).

**Rule 5: Check out a prospective advisor's background.**

If you only follow one of these rules, follow this one. Never, ever, ever hire a financial advisor without checking out his or her background.

I don't care how nice their office is, what the company name on the door is, who referred you, or how many times they were in the paper or on television or radio. It doesn't matter. Looks aren't always what they seem.

There are great financial advisors out there, but unfortunately there are less than honest ones, too. The less than honest ones tend to leave a trail of problems, however. The best way to verify that what an advisor says is true is to contact the major organizations that review advisors. Start by visiting the [National Association of Securities Dealers](#). The NASD is like the DMV of financial advisors -- always start there.

The NASD's web site will tell you just about everything you could ever want to know about an advisor's history, including where they went to school, their work history, and if there have been complaints filed against them.

I've shared this advice before in my books, and I can't tell you how many people have written to me to say that they checked out their current advisor and were stunned at what they found. One reader told me that their advisor had a criminal record that included battery (which he had never disclosed). Needless to say, she fired him.

The bottom line: There are really great financial advisors out there, and they are looking for clients like you. You just need to do some smart work to find them. And if you have an advisor that you're not happy with, maybe it's time to do a new search.

The Automatic Millionaire is the registered trademark of David Bach and FinishRich Media, LLC.

The columns, articles, message board posts and any other features provided on Yahoo! Finance are provided for personal finance and investment information and are not to be construed as investment advice. Under no circumstances does the information in this content represent a recommendation to buy, sell or hold any security. The views and opinions expressed in an article or column are the author's own and not necessarily those of Yahoo! and there is no implied endorsement by Yahoo! of any advice or trading strategy.

---

Copyright © 2006 Yahoo! Inc. All rights reserved. [Terms of Service](#).

To learn more about Yahoo!'s use of personal information, please read the [Privacy Policy](#).