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Webinar Process

- This webinar is scheduled for one hour.
- The presentation is being recorded for later viewing by all MaxPlans members. The webinar etiquette looks like this:
- All attendees will be muted during the presentation.
- At the conclusion of the presentation, an opportunity to ask questions will be available.
- To ask questions:
  - Unmute your phone by pressing *6, or press the icon on your computer.
  - Pose the question to the person you want.
  - Re mute your phone or computer after given the answer.

WELCOME TO THIS WEEKS PRESENTATION

Criteria for selecting a financial planner.

Presented by

Bob Adams

THERE IS A FINANCIAL ADVISOR FOR EVERY BUDGET AND FINANCIAL SITUATION

Financial advisors help people manage their money and reach their financial goals. They can provide a range of financial planning services, from investment management to budgeting guidance to estate planning. The advisor you choose will depend on your financial situation and your needs.

Picking the right financial advisor for your situation is key — doing so means you won't end up paying for services you don't need, or working with an advisor who isn't a good fit for your financial goals.

1. Understand the types of financial advisors

The term financial advisor can apply to a variety of services, ranging from online robo-advisors to local, in-person traditional financial advisors.
All of these financial advisors help you manage your money in various ways:

Robo-advisors
A robo-advisor is a digital service offering simplified, low-cost investment management. You answer questions online, then computer algorithms build an investment portfolio according to your goals and risk tolerance.
Low cost, easy entry: Fees start as low as 0.25% of your balance, and many services have no or low account minimums, so you can start investing with a small amount of money.
Good when: You need help investing for financial goals like retirement but don’t want or can’t afford a complete financial plan.

Online financial advisors

This is the next step up from a robo-advisor: an online financial planning service that offers virtual access to human financial advisors.

A basic online service might offer the same automated investment management you'd get from a robo-advisor, plus the ability to consult with a team of financial advisors when you have questions.

More comprehensive services roughly mirror traditional financial planners — you'll be matched with a dedicated human financial advisor who will manage your investments and work with you to create a holistic financial plan.

Medium cost, varied minimums:

Online financial planning services will typically cost less than a traditional financial advisor, but more than a robo-advisor. Some services have relatively high investment requirements of $25,000 or more; others require no minimum investment.

Good when: You need a financial advisor and a holistic financial plan, but at a lower cost than a traditional in-person advisor.

Traditional financial advisors

Traditional financial advisors include certified financial planners, stockbrokers, registered investment advisors, financial consultants and wealth managers. The same person can have more than one of these titles. For instance, a CFP may also be a registered investment advisor. You'll typically meet your advisor in person in a local office.

Higher cost, higher minimums: This is often the highest-cost option, and some advisors also require a high minimum balance, such as $250,000 in assets.

Good when: You want specialized services; your situation is complex or you want to meet your financial advisor in person.

2. Choose which services you want

If you simply want help choosing and managing investments, a robo-advisor is a streamlined, cost-efficient choice. It's also good for those just starting out, because robo-advisors often have low or no-account minimums.

If you have a complicated financial situation or want holistic advice on topics like estate planning, insurance needs, etc., you might want to choose an online service or a human financial advisor in your area. If you don't mind meeting with your advisor virtually, you may save money with an online service. These services also typically have lower account minimum requirements than a human advisor might.

You'll also want to think about what each service can offer you. For example, if you're interested in ethical and ESG investing, you'll want to ensure your advisor, no matter what kind they are, can help you with that.
(ESG stands for Environmental, Social, and Governance. Investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities.)

It often makes sense to start with a robo-advisor or online planning service — you can always hire a traditional financial advisor if your situation grows more complex.

3. Consider how much you can afford to pay an advisor

Financial advisors have a reputation for being costly, but these days there is an option for every budget. It's important to understand how much a financial advisor costs before you commit to services. Generally speaking, there are three cost levels you're likely to encounter:

- **Robo-advisors** often charge an annual fee that is a percentage of your account balance with the service. Robo-advisor fees frequently start at 0.25% of the assets they manage for you, with many top providers charging 0.50% or less. On a $50,000 account balance, 0.25% works out to $125 a year.

- Traditional Human advisors also often charge a percentage of the amount managed, with a median fee of 1%, although it can range higher for small accounts and lower for large ones. Others may charge a flat fee, an hourly rate or a retainer.

4. Vet the financial advisor's background

Always check out the record of the company or person you're considering by looking up the firm's Form ADV. Among other things, this form will outline how the firm or advisor charges for its service (and what the specific fees are), conflicts of interest and any past disciplinary actions.

"Form ADV is the uniform form used by investment advisers to register with both the Securities and Exchange Commission (SEC) and state securities authorities."

10 questions to ask financial advisors

If you think exploring a relationship with a traditional financial advisor is the right move, be sure to ask these 10 questions during the interview process.

1. Are you a fiduciary?

A fiduciary works in the best interest of the client. Nonfiduciaries need only to recommend products that are “suitable” — even if they're not the lowest-cost or most ideal for you.

2. How do you get paid?

Advisors can use a variety of fee structures. To keep it simple and avoid conflicts of interest, focus on fee-only advisors. They don’t get commissions for selling products.

"Make sure it’s fee-only — those particular words,"

Fee-only advisors might charge a percentage of the assets they manage for you (1% is common), a flat fee for services or an hourly fee. If cost is a concern, you may want to go with a low-fee robo-advisor or an online planning service like those mentioned above.

3. What are my all-in costs?

In addition to paying the advisor, you’ll face other fees — and you'll want to know what they are. Fees can decimate your savings over time.

A recent analysis found that a 1% mutual-fund fee could cost millennials $590,000 in retirement savings. You can lose half your net worth without even knowing it.

4. What are your qualifications?

Financial professionals can have a confusing list of initials behind their names. And whether a finance professional goes by "investment advisor" or has the CFP designation, it's your job to vet them.

The Financial Industry Regulatory Authority's professional designations database will tell you what they mean; if there are any education requirements; if anyone accredits the designation; whether there's a published list of disciplinary actions; and if you can check professional status.

5. How will our relationship work?

Put another way: How much access will you have to the advisor? You want to know how often you'll meet and whether she's available for phone calls or emails outside of scheduled appointments.

6. What's your investment philosophy?

It's important to ensure you have the same investment philosophy. Here's why: You have to believe in what they're doing to stick with it. When financial advisors really do their job is when the market is down and they can convince you to stick to the same page, so you don't sell at the bottom of a market cycle.

It's also important to make sure you and your advisor align on investment style. For example, if socially responsible investing is important to you, you may want to ask whether or not your advisor will be able to help you create a portfolio that aligns with your values.

Also ask: Who are your typical clients? Find an advisor who is used to a situation like yours and able to help you meet your goals.

7. What asset allocation will you use?

You’ve heard how important it is to be diversified, right?

Your asset allocation is how you create a diversified portfolio.

You don’t want someone who is just going to pick U.S. large-company stocks.

Your portfolio should include domestic and international stocks, and small-, mid- and large-cap companies.

8. What investment benchmarks do you use?

Advisors should use benchmarks that directly relate to what they’re invested in, or be able to explain why they don’t.

Some managers will use a “straw-man benchmark”. For example, the advisor says: “My goal is to beat the Standard & Poor's 500.”

But if that advisor is investing in a diversified portfolio beyond simply large-cap U.S. companies, that benchmark is a mismatch.

Over time they should beat the S&P 500 because they’re taking on more risk.

9. Who is your custodian?

Ideally, your financial advisor has hired an independent custodian, such as a brokerage, to hold your investments, rather than act as his or her own custodian — à la Bernie Madoff, the notorious financial advisor who defrauded clients through a multibillion-dollar Ponzi scheme.

10. What tax hit do I face if I invest with you?

This helps ensure the advisor has your tax bill in mind when making financial decisions. And asking about taxes and fees is a way to explore what your estimated net return might be.

What you want to know is: What do you get to keep after fees and after taxes?

Tips for asking questions

If the idea of interviewing an advisor makes you nervous, keep in mind that even they think it's important to do interviews.

Be sure to tell advisors that you're interviewing others, so they know you're not making an immediate decision.

Approaching the process like you're hiring someone can ease apprehension. You may lack confidence around the details of your financial life, but you certainly are quite able to interview six different people for a job.

Finally, don't forget that you're paying for someone to clarify your financial life, not make it more confusing. ***If an advisor makes you feel dumb, walk away.***

Links to check potential financial advisors.

https://brokercheck.finra.org/

https://adviserinfo.sec.gov/

These links are available on the website under “VIDEOS”
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Questions and Answers

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  - Unmute your phone by pressing *6, or press the icon on your computer.
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The floor is now open for questions.

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