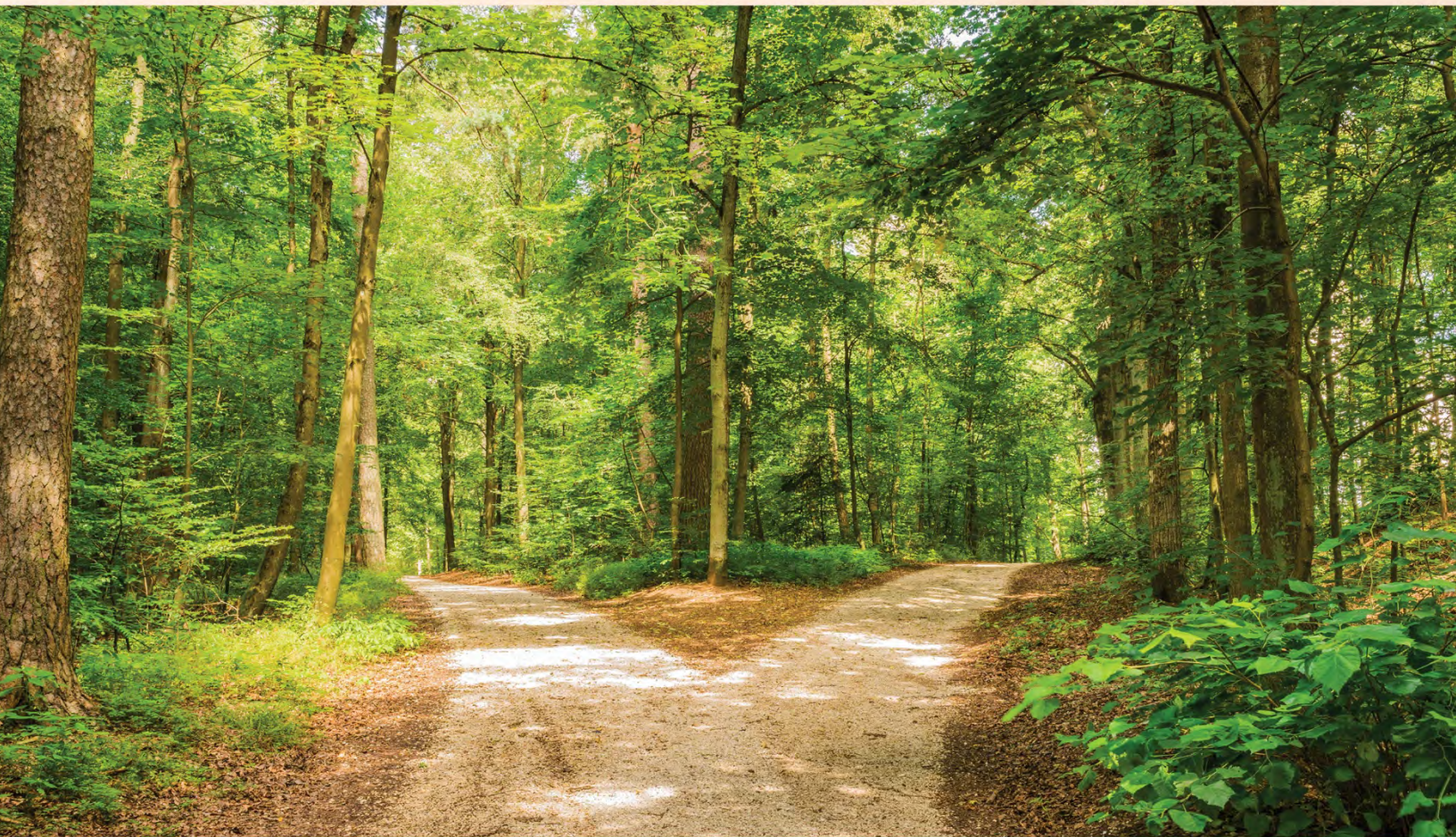


How to  
**Choose**  
the Financial Advisor  
*That's Right for YOU!*



TrustTree Financial

# Choose the Financial Advisor That's Right for YOU!

Choosing a financial advisor is a critical decision. Choose wisely, and you can get on the road to building sustainable wealth and achieving your goals. Choose without doing your research, and you may lose the opportunity (and time) to get your financial life on track.

Many people simply select an advisor based on recommendations from a friend or family member. Unfortunately, that can cause a whole host of problems, since few people really know what to look for in a financial advisor or planner. Or you might hire a broker who helps with investments — but not with much else. Your investments are just one part of your financial life, so we find that most everyone benefits much more from full-service assistance. That way, **you get full financial planning and ongoing help so you can create the life you really want.** That's a big difference, and it can be devastating to find out, years later, that you weren't getting the level of service you needed to reach your goals.



That's why we wrote this book; we want you to be better prepared to make the right choice in an advisor. In this guide, you'll find information on the entire process of researching and hiring a financial advisor who is capable of helping you achieve your goals.

**TO YOUR SUCCESS,**  
Brandon Opre, CFP®  
TrustTree Financial





## Why Hire an Advisor in the First Place?

Let's start off by discussing the reasons you might consider hiring an advisor. Most people who have jobs and start accumulating savings typically start off without an advisor. They're busy starting their careers or families, and maybe



don't feel that they have enough money for it to be worth the effort (or time) to seek an advisor. But if they don't seek help immediately, they may develop some bad habits that snowball into expensive mistakes. So instead of moving forward financially, they may find themselves treading water or even falling behind.

Here's the three main types of bad habits that we all can suffer from.

### **BAD HABIT #1: EMOTIONAL INVESTING MISTAKES**

Most investors aren't positioned to take the best advantage of the returns the market offers, due to a big gap between how much an index fund earns and how much the investor actually realizes. According to leading mutual fund company Vanguard, "the greatest obstacle to clients' long-term investment success is likely themselves."

Another long-term study that illustrates this is the Quantitative Analysis of Investor Behavior study, conducted each year by the research firm Dalbar. In the most recent [2016 version of the study](#), Dalbar showed that the 20-year average returns for the Standard & Poor's 500 Index and Barclays Aggregate Bond indexes were 8.19% and 5.34%, respectively. You would expect the average investor return to be in the same general vicinity as the benchmarks. Instead, the average equity investor earned just 4.67% per year, and the average fixed income investor earned less than 1% per year over the same 20-year period. Dalbar attributes much of the difference to poor investor behavior (e.g., chasing returns, or panic selling).

A full-service financial advisor can be that safety switch for you. That's why you want to be sure to hire a firm that communicates well (and often), so you can get the benefit of this behavioral coaching.

## NARROW THE GAP

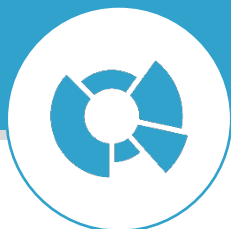
[Vanguard](#) suggests that an advisor may be able to help narrow the gap if they can help clients overcome these negative behaviors: "Advisors, as behavioral coaches, can act as emotional circuit breakers in bull or bear markets by circumventing their clients' tendencies to chase returns or run for cover in emotionally charged markets."

## BAD HABIT #2:

### POOR PORTFOLIO CONSTRUCTION

Asset allocation is a critical element of portfolio return. Some studies conclude that as much as 90% of portfolio return can be attributed to asset allocation. While many advisors realize the importance of finding a suitable asset allocation strategy for their clients (thereby adding value in the process), Vanguard points out that many investors “neglect it on their own, overlooking its contribution to their long-term investment success.”

Having the right asset allocation for you can not only bolster your returns, but it can have an important psychological effect on you, as well. Vanguard suggests that knowing the allocation “was arrived at after careful consideration, rather than as a happenstance of buying funds with attractive returns ... can serve as an important emotional anchor during those all-too-frequent uprisings of panic or greed in the markets.”



## BAD HABIT #3:

### NOT UTILIZING TAX-EFFICIENT STRATEGIES

Taxes can have a significant effect on your portfolio return. This is especially true during retirement, when you begin to draw money from your accounts.

Unfortunately, “On their own, investors often spend first from their tax-advantaged accounts,” says Vanguard, even though “it is generally more advantageous to spend from taxable accounts first.”

As full-service advisors, we help clients design a distribution strategy that takes taxes and other important considerations into account, which can increase financial security and keep more money in your pocket. Again, according to [Vanguard](#): “A well-thought-out drawdown strategy can improve the likelihood that the client’s assets will be able to support his or her financial goals through retirement and beyond, which is a significant — if hard to quantify — added value.”



Now, I certainly don't think Vanguard was implying (nor do I want to imply) that all advisors are worth their fee or that all clients would benefit from an advisor. Neither is true all the time, of course.

But it's also not smart to put managing your finances in the same category as cleaning your own pool or cutting your own grass — those are straightforward tasks, so it makes sense to save a few bucks and do them yourself. To manage your finances, though, you want someone who knows what they're doing, and is doing it with your best interests in mind. For many investors, a trusted, competent advisor can help capture a much greater percentage of the market's return than they would otherwise be able to get without professional guidance. And more importantly, a good advisor can help keep you from making expensive mistakes going forward. In that case, hiring an advisor is money that is extremely well-spent.

But there's one key: you need to hire the right advisor.





## Financial Advisor Due Diligence (proceed with caution!)

When looking for a financial advisor, it's important to be aware of what you're up against. First of all, in the U.S., almost anyone can call themselves a "financial advisor" or "wealth manager." There's no experience requirement. There's also little regulation on the entire industry.

So even though a person calls him- or herself a financial expert, no one is double-checking that claim.

Before you trust a financial advisor, it's imperative to do your research. Is the advisor really an expert? Many financial advisors call themselves advisors to gain your trust, but don't have the business model or right kind of training to serve you well. For example, insurance agents or mutual fund salespeople often use the title of advisor, but are primarily trained to sell the company's products, not provide objective and comprehensive financial advice. Special titles don't always mean someone is qualified or setup to help you manage your money. It's up to you to find out what the titles mean, and to check on the qualifications of the person offering you advice.

Also, you should always get a background report on anyone you consider working with. If a financial advisor is regulated by the state or federal government, you can check the status of his or her license, and find information about their professional history, using these online resources:

- FINRA Broker Check (<https://brokercheck.finra.org/>)
- Your state insurance regulator ([www.naic.org](http://www.naic.org))
- SEC Investment Advisor Public Disclosure Database ([www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov))

Also, know that not all titles or credentials are the same. The Certified Financial Planner™ Board of Standards, Inc., or Financial Planning Association®, are two organizations that you could start your due diligence with. This FINRA site is also helpful for this information: <http://www.finra.org/investors/professional-designations>.

Also, watch out for sales pitches disguised as “educational” seminars. Have you been invited to an investment seminar? Here are some common tactics used by more sales-oriented professionals:

1. Watch out for freebies.



Financial salespeople may use freebies like lunch and dinner invitations, golf, and country club outings to get you to come to marketing/sales events. They give you something knowing you’ll be more likely to give them something in return.

2. Watch out for high-pressure sales tactics.

You may be asked to make a quick investment decision, or be warned that “opportunities are limited.” Don’t fall for these schemes. Good financial advisors won’t rush you; poor investment decisions are made quickly, but it takes time to make good ones.



3. Watch out for exaggerated claims.



If you are told about investments that make a lot of money without much risk, don’t believe it. If you think an advisor made exaggerated or unrealistic claims about an investment’s risk or returns, report this to your state securities or insurance regulator.



## The Hiring Process

Once you've checked out a few prospects, you are closer to making a decision. Assess your conversation or meeting based on questions such as these:

✓ **Did the advisor listen to you?**

In a preliminary conversation, an advisor should learn a little about you, your dreams, and your goals. After you meet, the advisor may ask more in-depth questions about your finances. You should feel that the advisor is interested in you (as well as your family and goals) and will be able to provide you with personalized financial planning and advice.

✓ **Has this advisor worked with people like me?**

One thing you don't want is to be a square peg in a round hole. Ask a prospective advisor about the types of clients they usually work with (age, situation, approx. net worth, investable assets with the advisor, etc.). The more these clients sound like you, the more the advisor will usually understand your challenges and goals.

✓ **Am I satisfied with the advisor's service model?**

In other words, how often will this advisor contact you, and by what method (in person, by phone, via email)? Similar to having a car serviced by a technician, or your teeth checked out by a dentist, how often you should expect certain communications and account reviews is important. Be sure the communication is enough to meet your needs, and find out if there are any extra charges for additional advice.

✓ **Do I feel comfortable with this advisor personally and professionally?**

Money is very personal, so it is vital that you feel comfortable talking with whomever you choose. Interpersonal skills are important, and you want to feel supported and encouraged, not judged. You will be the judge of that after a few discussions/meetings.





## Critical Questions

After you've narrowed down your choices to one or two, here are some additional questions that are critical. You may want to ask each advisor these questions and research some of this on your own.

**1. Does the certification or designation the advisor uses require college-level coursework and a minimum level of experience?**

If yes, that's good. There are plenty of titles and certifications that can simply be bought, so they are essentially a sales ploy. It's a good idea to look up the credential to find out the specific requirements. For example, the Certified Financial Planner™ credential requires significant education and exams, as well as specific experience with financial planning. However, not all certifications are that rigorous. Obviously, you want to hire a professional who has the credentials that help provide evidence of study, testing, and relevant experience.

**2. Does the credentialing organization allow people to file complaints about an advisor?**

Know that training and education alone don't ensure ethical behavior. Organizations that grant financial credentials should make it easy for you to check your advisor's complaint history and file a complaint if necessary. If the organization granting the credential doesn't take complaints and share advisor history, how do you know if advisors follow the rules?

### 3. Is the credential from an accredited organization?

If so, this is a good sign. This means the organization has taken important steps to ensure the quality of its training program. But if not: beware.

### 4. Do you know how the financial advisor is paid?

Advisors are usually paid either by commission (for product sales) or by fees (for services). If you aren't sure, ask your advisor to explain the fees and put them in writing so you know all your costs. Beware those who are solely paid on commission. That means they need to sell you products to make a living. Instead, working with a fee-based advisor allows the advisor to be compensated by fees for giving you advice, so they don't have incentive to push you into an investment that isn't right for you. This helps minimize any conflicts of interest and helps ensure you get objective advice.



### 5. Does the financial advisor act as your fiduciary?

Some financial advisory firms, like TrustTree Financial, are licensed as Registered Investment Advisors. That means they act as your legal fiduciary. A fiduciary has to put your interests before their own. In contrast, firms that charge commission are not fiduciaries. Strangely, that means that legally, they don't have to put your interests first. It is perfectly legal for them to sell you a product that may cost more, as long as it is 'suitable.' These conflicts of interest make it hard to know if you're getting good advice, or just a sales pitch.

### 6. How will the financial advisor help you plan to achieve your financial goals?

This is where you can find out if the advisor provides quick financial planning, or the comprehensive kind that is holistic and more effective. Financial planning should look at all aspects of your financial life, including investments, saving, estate planning, college funding, insurance, and paying down debt. Then, the advisor should have a system to help you get, and stay, on track to those goals.

The advisor's answers should also make you feel confident in his or her ability to help coach and encourage you.

### **7. What happens if your goals change?**

Your plan should be flexible enough to adjust to new needs and goals, a dynamic economy, and your own life changes — such as buying a new home, having a family, changing jobs, or retiring.

### **8. How does the advisor help clients track their progress? How does the advisor prefer to keep in touch?**

The advisor should be ready to help you measure your progress over time with regular meetings and check-ins, as well as access to your account online. Find out how often you can expect to meet, and how (in person, phone, email or teleconference, for example), and what other tools or support the advisor provides.



## Your Next Steps

By now, you probably see that there's more to getting the right financial advice than just hiring your friend's advisor. Unfortunately, most people don't know what to ask, and simply hire someone they like. Given the potential impact on your future, you can't afford to take this kind of shortcut.

So use this Guide when you interview potential advisors. Look past the sales promises and confirm **facts**. In addition, check to see whether the advisor provides full-service help, and if all support is included in their pricing. Most of us are best served having an advisor we can call for everyday decisions (like whether we should refinance our house, or buy or lease our next car).

Having this type of practical advice available and included in your fee can allow you to get your advisor's objective input on key financial decisions. That simply helps you avoid expensive mistakes.

### ONE LAST TIP

Once you hire someone, don't just assume you can now put your investments on auto-pilot. Instead:

- Stay involved
- Always review your statements
- Ask a lot of questions
- Fully involve your spouse or partner

We hope this will be helpful to you going forward. If you already have an advisor, go back and make sure they are doing the right thing for you using the content in this Guide. It pays to be careful when your life savings are at stake.

If you don't have an advisor, or if you're not sure how yours is doing for you, we offer a free, no-strings-attached Second Opinion service.

It's your money, after all, and no one is going to watch it more carefully than you.

## About TrustTree Financial



TrustTree Financial is a fee-based financial planning and investment management firm serving individuals, families and small businesses. We specialize in providing full-service, ongoing help to you so you can achieve your *real* goals. As an independent fiduciary, we provide you with objective advice you can rely on.

### Free Financial Second Opinion

We offer a free, no-pressure Second Opinion on your investments and financial situation.

#### What happens in our Financial Second Opinion?

- [You'll pick a convenient time for a call on our calendar.](#) We'll ask you to email or fax us a copy of your primary account statement, so we can see how you are currently invested. A net worth statement or other financial spreadsheets would be welcome as well. The more info, the better.
- We'll spend about 30 minutes discussing your situation, your goals, your responsibilities, and your opportunities.
- You'll walk away with more clarity on how you are doing, where you may be taking more (or less) risk than you think, and steps to help improve your chances for success.

#### What won't happen in our Financial Second Opinion review?

- There will be no pressure. You need to take time to look around and find the right advisor for you. We want clients who are the right fit, and we are happy to talk to as many as needed to find the right ones.
- No follow-up phone calls. Don't worry; we won't call you after, unless you ask us to.
- No spam. We may send you an occasional follow-up email, but you are free to unsubscribe at any time.

**Schedule a FREE Second Opinion**



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