

About “The Advisor Assignment”

Before hiring a builder to renovate your house you'd likely spend hours, even days, researching potential contractors for the job. You'd want to be sure the professional you hire really is who they say they are – licensed, accredited, reputable.

Why should the process for hiring a financial professional look any differently?

As with other services, it is in your best interest to **DO YOUR HOMEWORK** before hiring a financial professional.



In part one of the FINANCIAL COACH video blog series, “[The Right Basket for My Eggs](#)” Jeff Mastronardo discusses the common misconception that hiring multiple financial advisors is better than hiring only one. At FINANCIAL COACH we call this “[The Stable of Advisors](#)” -- as with horses, adding to the stable comes at an added cost and requires more management. Through our years of experience we have come to find *The Stable of Advisors* notion to be driven primarily by the following fear-based beliefs.

1. **HIRING MULTIPLE ADVISORS, SPREADING THE MANAGEMENT OF MY ASSETS ACROSS MORE THAN ONE SET OF HANDS, IS THE BEST WAY TO INSULATE MYSELF FROM THE POTENTIAL THREAT OF ONE ADVISOR TURNING OUT TO BE LIKE “A BERNIE MADOFF”.**

The “Madoff Effect” is, unfortunately, an all-too-real feeling that the *bad-guy* is lurking just around the corner, leading many to skip over the due diligence process and jump straight into preservation mode. However, hiring multiple advisors does not actually address the possibility of hiring the “next Madoff”. It simply changes the odds of the gamble and likely increases the potential for this to occur by allowing more *wolves into the den*.

Retirement assets split into smaller groups, to be managed by separate advisors, may also lead to higher overall management fees. Many advisors charge a fee according to assets under management (“AUM”); the total dollar amount in the portfolio managed by the advisor -- The higher the AUM the lower the management fee. Smaller groups of AUM managed by separate advisors are often charged separate higher management fees for a higher net fee on the total AUM than had the assets been managed as a whole by a single advisor.

If the Madoff Effect is the primary driver for wanting to hire multiple advisors, we propose an alternative and potentially more cost-effective method: **Perform a simple credential check!**

2. **IT NEVER HURTS TO HAVE A SECOND OPINION.**

For many situations this is true. However, the way in which a doctor's recovery plan following a health issue is executed and monitored is very different from that of financial advisor's plan for attaining goals in retirement. A good financial planner manages not only money but also acts as a coach, providing play-by-play guidance to maintain the lead -- To get the win it takes consistent reassurance from a coach familiar with his players and well-versed on the team's playbook. This is especially true when intangible objectives are met with emotional turmoil - a reminder to stay the course can make all the difference. An audible called by a third-party, just before the final play, could mean the game.

A second opinion never hurts, **as long as it's a second opinion at the right time**. While performing research, discuss feedback received between advisors. Get second opinions before making a decision on which advisor to partner with. Prevent any future need for outside opinions by making sure the philosophy of the advisor/firm you decide to hire aligns with your goals and expectations.

Learn more about our team and the services we offer at
FINANCIALCOACHGROUP.COM



940 E. Boot Road, Suite 101 | West Chester, PA 19380 | P: 484.887.0452

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Due Diligence Checklist

Having the right answers is important. Asking the right questions is critical! Plan ahead and have the right questions ready. The Advisor Assignment was created by **FINANCIAL COACH** to assist with performing research prior to hiring a financial advisor. The checklist items below are suggested as a starting point in this research process.



Define the Project

Consider then document your needs and expectations from the client-advisor relationship; your goals and objectives, your philosophy on how these should be met, and the ideal outcome from the relationship.

How often do you expect to communicate with your advisor? Should your advisor pro-actively contact you? Under what circumstances would you expect to hear from your advisor? How often do you expect to meet in-person, and to discuss what?



Create a list of certified/designated professionals to research

Make sure you are selecting the appropriately credentialed professionals for the task!

You wouldn't hire a doctor to build your house. CPAs specialize in accounting and taxes, CFPs in financial planning, and there are various insurance related designations for insurance specific needs.



Perform Research

Confirm each is who they say they are.

Verify use of designation marks, licenses, and other credentials as advertised.

Ask around. If you are not satisfied with the information available online, call the professional in question and ask that they provide a reference. Anyone seemingly uncomfortable with this request should raise a red flag.

Still unsure following your research?

Trust your gut – cross them from the list and move on to the remaining candidates.

How to Perform a Credential Check

The financial services industry is riddled with acronym-touting professionals. It can be confusing trying to determine the specialties of each. Don't let an abundance of letters overwhelm and exhaust your research process! Know where to look, and then focus on those applicable to your objectives.

The following designations are commonly associated with the financial planning industry.

DESIGNATION	CFP® (CERTIFIED FINANCIAL PLANNER™)
REGULATORY BODY	Certified Financial Planner Board of Standards, Inc. (CFP Board)
VERIFY CREDENTIALS AT	cfp.net/utility/verify-an-individual-s-cfp-certification-and-background

DESIGNATION	CFA® (Chartered Financial Analyst®)
REGULATORY BODIES	Securities and Exchange Commission (SEC); Financial Industry Regulatory Authority (FINRA); North American Securities Administrators Association (NASAA); State regulators (varies by State); CFA Institute Board of Governors
VERIFY CREDENTIALS AT	cfainstitute.org/community/membership/directory

Other useful websites

To learn more about the various designation marks associated with the financial services industry, and the certifications, standards and requirements of each, visit any of the following sites.

FINRA	finra.org/investors/professional-designations
Designation Check	designationcheck.com/learn-more-about-credentials

Perform designation and other credential checks on your current or potential advisors by visiting:

FINRA BrokerCheck	brokercheck.finra.org/
Designation Check	designationcheck.com/advisor-search