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Questions to ask when hiring an investment advisor - Part 1 - Background and training

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Questions to ask when hiring an advisor – Part 1 -- Background and training

Summary: This article provides potential advisor screening questions about his education, training, work experience, licenses, certifications, and integrity. This article is one on several on the topic of investor screening. Also, see: ->[Preparing to interview a financial planner or investment advisor](#) ->[Questions to ask, when hiring an advisor – Part 2, Fees and contracts](#) ->[Questions to ask, when hiring an advisor – Part 3, Services and references](#) Questions about background and education: ->What is your professional background? ->What about your professional and personal background makes you particularly well suited to meet my financial planning and investment advisory needs? ->What are your educational achievements? What undergraduate or advanced degrees do you hold? ->Get a list of the degrees that the advisor holds, including the name and location of the institution, the field of study, and the year of graduation. If you intend to hire this advisor, contact at least one of his degree granting educational institutions to confirm that the information that you were given is true. Questions about specific training in financial planning and investments: ->What did you learn about planning, finance, and investments at educational institutions? ->What continuing education do you receive? ->How else do you keep current on changes and new developments in the field? ->Try to evaluate how much the advisor actually knows about the theory and practice of planning, investments, and financial decision-making. While you should be impressed with the advisor's knowledge, he should also be able to convey concepts and facts to you clearly and without condescension. ->Be aware that there is a school of thought plus numerous books, articles, and lots of training for advisors surrounding "storytelling" to clients. The positive purpose of this storytelling is to communicate important concepts efficiently and clearly. The negative side of this approach is that it can be greatly over-simplified and can serve primarily as an emotional manipulation tool for a quicker sale of financial products. Decide whether the prospective advisor actually knows the substance behind the story, instead of just knowing the story as a means to sell. Questions about work experience: ->What work experience do you have related to personal financial and investment planning? ->How many years have you been working in the field? ->How and why did you get started in business as an advisor? ->Which firms have you worked for and how have they influenced your work? ->What other work experience do you have that has a bearing on your expertise as a financial advisor? ->Advisors have varied backgrounds and prior professional experiences can give them useful insights into financial planning and investing. Pay particular attention to how the advisor relates that experience to his advisory practice. Questions about licenses and certifications: ->Which licenses granted by government and/or regulatory organizations do you currently hold and how long have you held them? Do you hold insurance, securities, CPA, legal, licenses, etc.? ->Get specifics including the type and number of each license, which agency issued the license, how long it has been held, whether it is current, whether there have been any complaints or disciplinary actions. ->Do you hold all local, state, or federal licenses that you are required to hold? ->This area can be confusing and it is the

financial advisor's obligation to explain his licenses to you and tell you how to confirm what he says with the appropriate agency. ->What professional designations and certifications do you hold? What did you have to know or learn about planning, finance, and investments to get them?

->Contact all certification organizations to confirm that information you receive is accurate and current and that the advisor is in good standing. (For more information, see the links on advisor regulation below.)

Questions about integrity, discipline, and legal problems: ->To which standards of ethical and professional conduct are you committed? ->Have you ever been cited or disciplined in any way by any governmental, public, or private regulatory organization? ->Have you ever been disciplined by any certification organization that you currently are or formerly were affiliated with? ->Have you ever lost a license or certification, and if so why? ->Have you ever been sued by a client regarding your services? If so, how was the situation resolved? ->Have you ever been convicted of any legal offence that was in any way associated with financial planning or investment advising?

->To learn how to check online license, registration, certification, and discipline information, see The Skilled Investor's articles, see the links on advisor regulation below.

Unspoken questions: ->Do you "rationally trust" this person to advise you on your financial affairs? ->Do you believe that this person is among of the best advisors available? ->If not, you should keep looking, until you find one who is. ->Are you comfortable with the manner of your interactions? ->Do you always understand what the advisor says? Is he or she able to explain things to you clearly? ->Do you feel that you could learn something valuable from working with this advisor? ->Every advisor will have a direct or indirect cost to you. Your advisor's value to you must be substantially greater than his cost.

These related articles may also be useful to you: [Payment of Advisors: ->Does it matter how financial planners and investment advisors are paid?](#) ->[Financial planner and investment advisor compensation paid by third parties](#) ->[Financial planner and investment advisor compensation paid by clients](#) ->[Fee-only compensation aligns the interests of clients and their financial advisors](#) ->[Fee-only financial planner and investment advisory groups](#) ->[The securities industry calls marketing and selling "advising"](#) ->[Many investors are not fooled by an ethically challenged securities industry](#) [Regulation of Advisors: ->Regulation of financial planners and investment advisors -- Introduction](#) ->[Checking the backgrounds of individual securities brokers and advisors who sell investments](#) ->[On-line information explaining the licenses of financial planners, investment advisors, and insurance representatives](#) ->[Online information about registered securities broker-dealers and investment advisory firms](#) ->[Finding state regulators of securities brokers, investment advisors, insurance agents, and insurance brokers](#) ->[Private certifications of financial planners and investment advisors](#) ->[Widely recognized private financial and investment advisor certifications](#) ->[Governmental and self-regulation of the securities industry](#) [Advisor Fraud->Avoiding financial planning and investment advisor frauds and scams – Overview](#) ->[Avoiding advisor frauds and scams – The "Never-do" list, Part 1](#) ->[Avoiding advisor frauds and scams – The "Never-do" list, Part 2](#) ->[Avoiding advisor frauds and scams – The "Never-do" list, Part 3](#)