

## **Questions to ask when hiring an investment advisor - Part 3 - Services and references**

**Category : Selecting a Financial Planning Advisor or Investment Adviser**

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### **Questions to ask when hiring an advisor &ndash; Part 3 -- Services and references**

Summary: This article provides potential advisor screening questions about his planning principles and philosophies, group practices, privacy, and references. 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 &ndash; Part 1, Background and training](#) ->[Questions to ask, when hiring an advisor &ndash; Part 2, Fees and contracts](#) Questions about financial and investment planning principles and philosophies: ->What are your financial and investment planning principles and philosophies? ->Take good notes on the particular philosophies that the advisor espouses and research anything that was not familiar to you. Ask the advisor for materials to read that explain his financial and investing philosophy. ->Attempt to determine whether the advisor has a consultative style or whether the advisor expects to tell you what you should do just do it for you without explanation. Over time, your advisor should educate you. If, instead, his work is presented to you as a superior &ldquo;black box&rdquo; that is not explained, then the work is probably rubbish. ->If you have certain beliefs about finance, planning, and investing, ask his opinions about your beliefs. It is important that you both have sufficient common ground to be able to work together. At the same time, you both must be open and willing to work to understand the other&rsquo;s knowledge and beliefs. ->What are the things that you always do? ... never do? ->How have your practices and beliefs about financial planning and investing changed over time? ->To gauge the advisor&rsquo;s general philosophy, you might ask a question such as, &ldquo;Should I be a conservative or aggressive investor?&rdquo; &ldquo;Should I be an active or passive investor?&rdquo; ->How do you work with clients during particularly volatile market conditions? Under these circumstances, what if anything would you change? Questions about financial and investment planning methods: ->What are your financial and investment planning methods? What is your process when you work with clients? ->What sources of information and data will you consult, when you prepare recommendations for me? ->What will you expect of me? What will I need to provide to you and in what form? ->Because of your recommendations, what actions will you expect me to take and what assistance will you provide in matters of implementation? ->How frequently will we meet? How frequently will we speak on the telephone? ->How quickly can I expect that you will return my calls? ->How many clients do you have, and how much attention might I expect from you? Questions about the scope of services: ->Do you provide financial and investment planning services on a full-time or part-time basis? What other work activities do you engage in? ->What will you do for me? Do you have a particular focus in your work with clients? What is the scope of the services that you offer? ->The scope of services could include planning services for estate, insurance, investment, retirement, tax planning, etc. ->Are there areas in which you are particularly expert? Are there areas that you particularly enjoy working in more than other areas? Are there areas in which you are particularly strong or weak? ->Do you have any practical, philosophical, or legal limitations on the types or variety of financial products or investments that you might recommend to me? ->How

frequently would you tend to make new recommendations or adjustments to my plan? ->If you cannot cover a particular need of mine, how will this situation be handled? ->May I see a sample of the work that you have performed for others? (Obviously, personally identifying information would need to be removed.) ->Concerning investments, how will you track my portfolio's performance, risks, tax exposure, etc? ->Do you have a website for clients with client accessible account and portfolio information? Questions about group practices: ->If this is a group practice, who will work directly with me? ->If someone else will lead the relationship with you, then you should be asking that person most of your questions. If it turns out that you will work with additional persons, you should meet with them, although most questions should be directed to the principal who will work directly with you. ->For any group practice, you should ask who owns and controls the business. (Even for an advisor who appears to be individual practitioner, it is also worth asking this question to determine whether other parties may also have influence in the practice.) ->Concerning support staff, who are they and how might they be involved in working with me? ->Will any agent or contractor to you participate in the work that you perform or oversee for me? ->Under what circumstances will outside professionals, who are not under contract to you, be involved and contribute to the work that you do for me? Questions about other clients and references: ->What are the characteristics of your other clients? ->How many clients do you have? What has been the firm's growth rate? ->How long have you had your typical client? Have any clients left you and why? ->How do my needs match up with the clients whom you normally serve? ->May I have a list of four of your recent active clients whom I can contact and discuss their views on working with you? ->Do not just get these referrals, but also actually talk to them. If some are unavailable after you have made reasonable efforts to contact them, then go back to the advisor for additional names. Reference checking is important. Be certain to ask specific questions including, for example: ->How long have you worked together? How frequently do you interact? ->What specific services has the advisor provided to you? ->How responsive is this advisor? Do you understand clearly his or her recommendations and the reasoning behind them? ->What has this advisor done that has been particularly satisfying? What would have liked the advisor to do differently? ... better? ->If I were to work with this advisor, what advice would you like to give me? Questions about control of your investments: ->Will I have complete access and control over my investments, funds, and decisions? ->Will the advisor have any form of access discretionary control over your accounts? If so, why and how will it be limited? ->This is another red flag area. See The Skilled Investor's article on advisor fraud and practices to avoid: [Avoiding advisor frauds and scams &ndash; The &ldquo;Never-do&rdquo; list, Part 3](#) Links to additional articles on advisor regulation, payment, and fraud can be found below.) Questions about privacy: ->How will my personal privacy and personal financial records be protected? ->Who will have access to the information that I provide to you? ->Would there be any problem if I were to show the plan that you prepare for me to any other party?

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 &ldquo;advising&rdquo;](#) ->[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 &ndash; Overview](#) ->[Avoiding advisor frauds and scams &ndash; The &ldquo;Never-do&rdquo; list, Part 1](#) ->[Avoiding advisor frauds and scams &ndash; The &ldquo;Never-do&rdquo; list, Part 2](#) ->[Avoiding advisor frauds and scams &ndash; The &ldquo;Never-do&rdquo; list, Part 3](#)