How to Choose your Financial Adviser

At Worldwide Advisers we always say that the first step to picking the right adviser for you is to understand that the world of financial advice, like the world of medicine, has many specialist areas as well as areas of general practice. So making sure that you are getting advice for the particular requirements that your individual circumstances require is crucial. After all, you wouldn't let your GP operate on you if you needed heart surgery, in the same way as your heart specialist probably isn't the right person to reset your broken leg. It's all about either general advice, or specialist intervention, depending upon what your personal financial circumstances are.

So how do you know if you need to see a financial adviser in general practice, or someonewho has specialised in a particular area?

Some of the best advisers might well be on your doorstep, or may be many miles away depending upon what you need. So you need to know what you're looking for. Many people require professional help with financial planning, estate planning, taxes, insurance and based on DALBAR's Quantitative Analysis of Investor Behaviour, most people also need guidance when investing. The average mutual fund investor averaged just 5% a year between 1983 and 2013. By comparison, the S&P 500 averaged 9.2%.

Most investors did poorly because they paid fees that were probably higher than necessary and they made silly mistakes. With a suitable financial adviser you could avoid both errors.

You might find that you need a mix of both, or you are just looking for general advice. Either way we've made it as easy as possible to help point you towards the right type of advice for you. We have a devised an easy to reference indicator of what type of investment levels an individual adviser specialises in giving advice on, as different amounts can come with their own challenges, such as inheritance tax. The indicator strip looks like this:

Advises clients with **over £50k** of savings, investments and pensions

This should be one of the first things you look for in an adviser's profile – it's a great way to match yourself up with someone who specialises in your circumstances.

We have also introduced a number of icons that indicate the specialisms of an individual adviser. These are here to explain to you what each specialism means and to indicate to you that, if an advisers profile shows the icon, then this is one of the areas they specialise in.

You've found a few advisers that match your requirements – now what?

We would say that it's always important to research the adviser and their organisation, to make sure that you are completely happy that they are the right choice for you. When you start looking for an adviser you will face some big challenges. The problem is that most people spend more time researching the purchase of a new computer or holiday than they will spend researching a professional financial adviser!

It's a very difficult challenge where you need to take personal responsibility and care, and yet at the same time you can't go it alone because you need guidance, goal-setting and hand-holding through the financial planning process in order to have the best possible chance of success with your money.

Here are some of WWA's do's and don'ts

Don't assume that all financial advisers are qualified – don't think that they must be because that's what they say they do, just like a doctor. Do ask to see proof of qualifications and registration with any professional bodies.

Don't take the advisers word for how fabulous they are. Do read their reviews. These are written by people who have dealt with the individual adviser and usually give you a good insight into the level of advice provided, how well it worked and what the individual adviser was like to deal with. Reviews are a really great way to get a feel for what an adviser will be like – and they are completely independent and written by the adviser's clients.

Do have a checklist in mind when picking your financial adviser. We have put one together for you at the end of this report, and we'd also suggest that you keep the following things in mind as well:

The Basics:

- Are they qualified for the job you need them to do?
- Do they work on a commission, fee or hybrid basis?
- Where are they located?
- Where are they regulated?
- Do they carry professional indemnity insurance?
- Who do they work for?
- What is the legal status of their business?

The Way They Work:

- Have a deep understanding of your personal financial situation
- Provide you with fiduciary care
- Ensure your investment costs are as low as possible
- Agree with you up-front what their fees/ commission will be
- Provide you with complete transparency of all product and investment fees
- Have a written and clearly defined investment process
- Carry out a risk profile assessment
- Provide you with a diversified portfolio
- Have compliance and complaint procedures in place

Don't be afraid to ask questions – get to know them and how they work

A good adviser should be a trusted professional who will stand between you and a very costly mistake, so before hiring anyone, you need to ask some questions. As good advisers love questions, it's their chance to show you just how fantastic they are, so don't ever be afraid to ask questions.

Here are some questions and strategies to get you started on the road to finding the best financial adviser for your needs:

The Red Flags:

Regulation will be covered in detail in a future article but here are some of the signs that you might encounter when you are dealing with a salesperson instead of a professional, qualified independent financial adviser.

- **No client engagement document**
- **No remuneration disclosure**
- **No client discovery questionnaire**
- **No risk profiling/risk assessment**
- **No transparency of product/fund fees**
- **Picking individual funds**
- **Timing the markets**
- **Discussing products prior to a financial plan**

1. How do you earn your money?

Advisers get paid by fees, commission, or a combination of both. What you don't want is an adviser who is more focussed on high commission products, for obvious reasons. Commission-based advisers still exist but the fee model is much better at aligning a client's interests with those of the adviser. Fee advisers typically charge based on a percentage of client's assets under management, and typically this can be in the region of 0.5 to 1.5% per year. This model gives advisors every incentive to grow portfolios while also reducing investment risk.

If you choose a commission-based adviser make sure you ask for full disclosure of all commissions that the business will earn from providing you with advice and implementing products and funds.

2. What qualifications do they hold?

There are a lot of financial advice/financial planning credentials and certainly far too many to list individually. That said, all advisers listed on Worldwide Advisers have the opportunity to make public their qualifications and designations. Certified and Chartered Financial Planners are two of the higher-level designation and are rigorous in their testing. These show that the adviser is intellectually competent, and strives to be ethical and operate to a fiduciary standard. There are many qualifications that can be checked and verified by the adviser and the professional body issuing them. Professional advisers should also subscribe to a code of honesty, integrity and professionalism in all their dealings with you. They should also carry out continued professional development on an annual basis and often as determined by their professional body.

3. Ask if they can predict the markets

If an adviser answers saying that they can then it's probably time to move on. No one knows whether stock markets will rise or fall this year or the next. Predicting them can be financial suicide and is likely to place your financial future in serious risk. If you come across this scenario it's usually a good idea to run away as politely and as fast as you possibly can!

4. Carry out a background check with regulators

You can check your advisers regulatory status and all the details appertaining to it by going to the website of the advisers regulator. You can see their personal regulatory details and that of the company they work for as well. It gives you some piece of mind, however, be mindful that some financial regulatory bodies have very few teeth whereas others have far-reaching powers.

Overall though, it is a positive sign if your adviser is regulated, as it usually means that they have committed to a set of operating rules and regulations. Failure to adhere to these can bring about serious consequences for the individual adviser and the company they work for. We are producing a resource that will list the various regulators and provide you with links to their websites so that you may find it easier to do your homework.

Some advisers may not regulated and this may not necessarily be a bad sign so long as their reasons are justifiable and they have all the expected checks and controls in place as you would expect.

They may work in a location where no regulation is required so long as they are not working with local nationals. In this case be more thorough with your other checks and ask around to see who has heard of them, as well as checking online using the major search engines to see what you can learn about them.

5. Can they show you a sample financial plan and a model portfolio?

We think this is very important! When your adviser explains something to you it needs to be articulated in such a way that you can fully understand it. If you can't then you need to ask for it to be explained again and perhaps in a different way.

Your adviser has a duty of care to make sure that you do not misunderstand anything you are being told.

It's the same with the portfolio recommendation. You should not be impressed by past performance; instead, what should be explained to you is the importance of such things as diversification, passive and/or active fund management, asset allocation, rebalancing and asset classes. By providing a sample portfolio, or model portfolios, you can see their strategy and decide if it fits in with your requirements and objectives.

The adviser should have an asset allocation and rebalancing strategy that will help to deal with market uncertainty and the relevant behaviour of the various asset classes.

6. How are your adviser's own finances looking?

Find out from the adviser how they manage their own financial situation and if they also use the strategies and portfolios that they recommend as part of their own financial planning. Usually it's a good sign if an adviser keeps track their spending with a budget and has clearly defined goals etc.

If they live within their means they'll be more likely and happy to tell you all about themselves if you ask them. If they don't walk the walk, then these questions may well throw them off guard and possibly even offend them. Then you will know what to do!

Most importantly of all, you certainly don't want anyone working for you who is financially unstable, as their motivations may be in the wrong camp and if so, they will not have your best interests in mind.

Our checklist

This section is designed to be used in conjunction with this guide to help select your financial adviser.

The Company

• Are they are authorised and regulated by a financial regulator for the activities they engage in, such as the provision of investment advice? As an example, in the UK this would be the Financial Conduct Authority (FCA) and you can check their public register.	☐ **Yes**	☐ **No**
• Does their website have photographs showing the key people in the company and is there a professional biography?	☐ **Yes**	☐ **No**
• Is your individual adviser professionally qualified to advise you on the areas of advice you need? This can be easily confirmed by the adviser - just ask.	☐ **Yes**	☐ **No**
• Is the company well established with a good track record and is that track record supported by positive client reviews?	☐ **Yes**	☐ **No**
• Does the company have all the required experience to deal with international clients and cross-border investments and tax matters?	☐ **Yes**	☐ **No**
• Do they have clear and easy to find contact details on their website including full registered business name, registration number, physical office address, contact number and email address?	☐ **Yes**	☐ **No**
• They should also have a statement on their website detailing their regulatory status and what you should do if you are dissatisfied with any aspect of their service.	☐ **Yes**	☐ **No**
• Is there a compliance and complaint procedure in place?	☐ **Yes**	☐ **No**

The Advice Process

• Have you been provided with a document detailing their terms of business? Do you clearly understand what is said in the document?	☐ **Yes**	☐ **No**
• Advice you receive should be given in writing and any investments, products and funds recommended should be in that report detailing why they are suitable. Do you clearly understand what is contained in the report?	☐ **Yes**	☐ **No**
• If there are any contractual lock-in periods on any product, investment or fund, are there exit penalties and if so what are they? If there is no lock-in period can you readily buy and sell?	☐ **Yes**	☐ **No**

The Investment

- Is there a clearly defined investment process in place? ☐ Yes ☐ No
- Do they carry out a risk profile assessment? ☐ Yes ☐ No
- Does the company have an investment philosophy that includes low cost, a globally diversified index and exchange-traded funds? ☐ Yes ☐ No
- Will your portfolio be constructed in accordance with your specific needs, and take into account your investment objectives, time horizon, risk profile and cash flow needs? ☐ Yes ☐ No
- Will your investment strategy have a disciplined approach that goes beyond stock picking or fund selection based on past performance? ☐ Yes ☐ No
- Is there an option to have your portfolio re-balanced each year in order to maintain your agreed asset allocation?

Fees and charges

- Does the company provide you with written disclosure stating all the fees and charges that will be applicable to you? ☐ Yes ☐ No
- Have you agreed up front what your fees/commission will be? ☐ Yes ☐ No
- Does the company work on a commission basis, either solely or partly, and if so has this been made clear to you along with details of how it applies to you? ☐ Yes ☐ No
- Are the company's charges competitive and transparent and do they align with your interests? In other words, if your portfolio does better, they do better, as opposed to paying everything upfront. ☐ Yes ☐ No
- Are you aware of your fees for investment advice and services, and is it separated out from product charges instead of being bundled together? ☐ Yes ☐ NoO

Please remember that this is not an exhaustive list and should be used in conjunction with any other resources you have access to. What it will do is substantially improve the outcome for you instead of having to rely on other people's recommendations, free seminars and rubbish coffee and meetings following a cold call - you can simply hang up on them now!

If you have answered any the above questions as 'no' you should probably ask more questions, and in some cases it may be prudent to walk away.

We would love to hear from you and any past experiences that you have had when dealing with and trying to find a financial adviser. We want to tell some stories in our blogs to help consumers and would value anything you feel able to share with us.