



Top Ten Questions For Financial Advisors



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These questions are a free public service from Paladin Registry. They will help you obtain important information about the credentials, ethics, and business practices of planners and advisors before you hire them.

The questions and notes are for information purposes only. They are not intended to be any type of financial, tax, or legal advice. We strongly suggest you contact a qualified professional before you make any decisions that impact your financial future.



Top Ten Questions for Financial Advisors

All advisors claim to be financial experts. They make this statement to win your trust and your assets. But, are they telling you the truth? The 10 questions on this list will help you determine advisors' expertise and ethics.

The Paladin Registry (www.paladinregistry.com) is pleased to provide you with Ten Questions for Financial Advisors. Make sure you ask all ten questions and require all advisor responses in writing. Verbal information benefits advisors because it's easier to misrepresent and disputes are your word against theirs.

We also provide the "Right Answers" to the questions. Wrong answers increase your exposure to the risks and consequences of bad financial advice. Plus, we provide "Notes" for each answer that explain why this information is important and why it should impact your decision to select or retain an advisor. These are just a few of the questions that we ask before advisors are admitted to the Paladin Registry.

QQ: How many years of financial experience do you have?

The right answer is a minimum of five years and more years are better. You should require more years of experience for larger asset amounts.

Notes: Experience is the primary way advisors obtain the knowledge they need to provide competent planning and investment advice. It takes a minimum of five years for advisors to achieve a basic level of competence. You should let inexperienced advisors go through their learning curves with other peoples' money.

QQ: What is your educational background?

The right answer is a BA or BS degree and advanced degrees are better.

Notes: Advisors' degrees may be non-related to financial services, but college shows a commitment to education that produces knowledge. Use the Internet to make sure the advisor's degree is from an accredited school. Low quality advisors have been known to buy degrees from diploma mills to make them look better educated than they really are.

QQ: Do you hold any professional certifications or designations?

The right answer is yes. CFA®, CFP®, CIMA®, AIF, CEFEX, and CPA/PFS are some of the best certifications.

Notes: Certifications are an important way for advisors to obtain the specialized knowledge they need to help you achieve your financial goals. Most certification programs also have continuing education requirements that increase advisor knowledge over time.

QQ: Do you have any disclosures on your NASD or insurance compliance records?

The right answer is none. Any type of disclosure should be reason to disqualify advisors from your selection process. You should limit your selection of financial advisors to professionals who have clean compliance records.

Notes: Be sure to ask for advisors' CRD numbers then check their compliance records by going to www.nasd.org and your state's securities commissioner. Also, ask for the advisors' insurance license number then check their compliance records by going to your state's insurance commissioner.



QQ: Do you have any disclosures on your criminal record?

The right answer is none. Any type of disclosure should be grounds for disqualifying advisors. You should limit your selection of financial advisors to professionals who have clean criminal records.

Notes: Believe it or not advisors with criminal convictions can obtain securities licenses as long as their crimes weren't securities related.

QQ: Are you a Registered Investment Advisor (RIA) or an Investment Advisor Representative (IAR)?

The right answer is yes. This is a critical response. If the advisors say no, you should disqualify them. The best advisors are RIAs and IARs.

Notes: Most RIAs and IARs provide wealth management services for fees. Other types of advisors, who are not RIAs or IARs, sell investment and insurance products for commissions.

QQ: Do you acknowledge you are a fiduciary when you provide financial services?

The right answer is yes. This is also a critical question. If the advisors say no, you should automatically disqualify them from your selection process. The best advisors are acknowledged fiduciaries.

Notes: Fiduciaries are held to higher ethical standards than non-fiduciaries. There is a high probability non-fiduciaries are sales representatives for investment and insurance products.

QQ: How are you compensated for your services?

The right answer is one or more of the three types of fees (asset-based, fixed, hourly). The wrong answer is commissions. You should not select advisors who are compensated with commissions unless you have no alternative. If you have to select a commission advisor, the other nine questions still apply.

Notes: Compensation is the source of several conflicts of interest. That's because third parties pay commissions to advisors who sell their products. Commissions are paid for sales and not for helping you achieve your goals. You can avoid the conflicts by paying advisors a fee for their services – the same way you pay other professionals (CPAs, attorneys).

QQ: How do I know you are telling me the truth about your credentials, ethics, and business practices?

The right answer is advisors provide proof that includes written documentation from an objective third party. The documented responses provide the information you need to determine the advisors' competence and integrity.

Notes: Do not accept verbal information that may misrepresent the advisors' competence, ethics, and business practices. Verbal information is bad for two reasons. First, it puts too much emphasis on the advisors' personalities and sales skills. And second, verbal information is too easy to deny later when it's your word against theirs.



QQ: Are you willing to provide full disclosure in writing for any potential conflicts of interest that impact the performance, risk exposure, or expenses of my assets?

The right answer is yes. If advisors try to talk you out of the need for disclosure, automatically disqualify them from further consideration.

Notes: There are several types of potential conflicts of interest including advisors putting their financial interests ahead of yours so they can make more money, the sale of proprietary products that restrict your choices, the total expenses charged to your assets, and compensation that's hidden from you.