

Q's & A's
FOR FINANCIAL ADVISORS

Learn what questions to ask before your hire a financial advisor

By Enriched Academy

Enriched
ACADEMY
....because everyone deserves financial awareness


“If we command our wealth, we shall be rich and free.
If our wealth commands us, we shall be poor indeed.” - Edmund Burke

DO YOU NEED A FINANCIAL ADVISOR?

ASK YOURSELF...

Do you feel **confident** when it comes to investing?

■ YES ■ NO

Can you dedicate at least **30** minutes per month?

■ YES ■ NO

Are you **comfortable** using a computer?

■ YES ■ NO

***If you answered "no" to any of these questions… you need a financial advisor!**



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QUESTIONS & ANSWERS FOR A POTENTIAL FINANCIAL ADVISOR



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Q

1. How do you get paid?

This question is powerful because it's the one question that gives you multiple answers.

First, you can determine if they are paid based on financial products they sell or not.

Second, are they straightforward and to the point? You want an advisor that keeps things simple so you can learn from them. If they beat around the bush or give you a long answer that's confusing, that's a red flag.

Examples:

- ✔ "I am paid a one-time fee to do your financial planning."
- ✔ "I am paid X percent of the money you invest."
- ✘ "I am paid a trailing commission prorated monthly based on your average monthly assets."

A

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Q

2. How much do you get paid?

Most Canadians do not know how much their advisor gets paid and are scared to ask. Understanding how much your advisor is paid is critical because it compounds.

Every year you pay a fee on what you have invested. It doesn't matter if you make or lose money, you are paying your advisor a percentage of what you have invested through them. Now, the percentage may seem small (can be anywhere from 1- 5%), but the different between 1% and 2% can be hundreds of thousands of dollars.

This should also be answered in a clear, straightforward manner.

Examples:

- ✔ "I am paid a one-time investment of $4,500 to do your financial planning and $2,500/year after that."
- ✔ "I am paid 1% of the money you invest. So, if you invest $100,000 I am paid $1,000/year."
- ✘ "You don't pay me anything!" (You always pay a fee)
- ✘ "When you invest it's great because you are investing in funds that have a solid track record. There are many investments from which you can pick the one that's right for you. I will help you do that. When you make these investments there is sometimes a fee that the mutual fund charges. Everyone pays a fee, but it really doesn't matter because your investments will make you more money than the fees you pay."

A

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Q

3. What is your financial planning process for new clients?

In asking this question, you can see if the advisor has a clear system. Imagine you hire a personal trainer and they said, “Here is the plan. Each day meet me at 8 AM and we will hit the weights and try a bunch of stuff.” That doesn’t instill a lot of confidence that they know what they are doing.

A great advisor, like a great personal trainer, will have a very thorough system. It will be clearly explained, and they may even have visuals or a package they share with you.

Examples:

✔ “As a new client you will enter our 6-month financial freedom program. Each month we will have a call and some homework for you to complete. Month 1 is analyzing your financial situation. Month 2 is cashflow management. Month 3 is investing or debt elimination. Month 4 is creating your personal financial strategy. Month 5 is executing on your plan. Month 6 is accountability.”

✕ “Yeah, so when you become a client, we’ll send you a bunch of forms to fill out and you’ll be good to go! I’ll also sit down with you for about 30 minutes to an hour and ask you some questions to get a better understanding of where you are at and your goals. After that I will make some recommendations and we are off to the races.”

A

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Q

4. What is your communication/accountability process?

The last thing you want is an advisor that never responds to you. An underrated factor to financial success is accountability. Those that are held accountable are more likely to reach their goals. Having an advisor with a system to keep you accountable is a game changer.

Examples:

✔ "Each month for the first 6 months you will be assigned homework based on our call. If you have questions you can reach out to me via text or phone. After that first 6 months, we will have a quarterly call."

✕ "If you have questions I will answer them and you can call me or email me whenever you would like. . "

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Q

5. What is your investment approach?

You are looking for an approach that is highly personalized with an emphasis on asset allocation and passive investing.
As soon as you hear outperformance in the public markets, that should raise a red flag. Remember 92% of actively managed fund fail to outperform the market.

Examples:

✔ "Our approach is different for each client. First, we have to understand your goals, risk tolerance and liquidity needs. From there we are going to put together your asset allocation. Your asset allocation is basically where your money goes. After we have nailed that, we'll select low fee index funds or ETF's."

✕ "We can easily get 10-12% returns even more. We are going to do our best to outperform the market and make you as much money as possible!"

A

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Q

6. What would it cost me to get out of these investments?

These are known as redemption fees. A fee you pay for selling your investments. The most common are DSC (Deferred Sales Charge) and LL (Low Load). These fees range between 1%-5% on the value of your portfolio.

The answer to this question should be $0.

- ✔ “$0”
- ✕ Anything over “$0”

A

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Q

7. Should I pay off high-interest debt or invest?

This is a ninja question because it is a test. The advisor is only paid when you invest, not when you pay off debt. So, if they say you should invest, you know they are more concerned about their best interest not yours.

Examples:

✔ "You should pay off high interest debt, when you pay off 19.99% interest you are getting a guaranteed returns. It's impossible to get a guaranteed 20% return when investing."

✕ "It depends on the situation." (it never depends, paying off high interest debt should always be top priority.)

✕ "Taking advantage of investing and getting your money moving is critical. You can take the money that your investments earn to pay off your debt."

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8. What are your designations?

Understanding what designations the financial advisor holds is important but the designation doesn't determine the service you will get. We have seen great advisors that are CFP (Certified Financial Planner – highest designation) and horrible advisors that are CFP as well. At the same time, we have seen great and horrible advisors that are not CFP.

You also want to make sure their designations align with the advice you are looking for. If you are seeking insurance advice, it helps if they have an insurance designation. In fact, it's mandatory if you are going to buy insurance products.

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Thank you for taking advantage of this helpful resource. We wish you all the best with your search for the perfect financial advisor.

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