

The PREpare versus REpair Hit List Series

HOW TO FIND THE "RIGHT PEOPLE" TO HELP YOU

WHAT TO ASK BEFORE YOU HIRE A FINANCIAL ADVISOR

"It is better to prepare and prevent than it is to repair and repent." - Ezra Taft Benson

☐ Are you a fiduciary?

A fiduciary is a financial professional who is legally obligated to act in your best interest. While that may seem like a "no-brainer", not all professionals are held to this high standard. Instead, they may only be obligated to do what is "suitable" for you, not necessarily what is best. You want to work with a fiduciary to avoid potential conflicts of interest.

☐ How do you get paid?

A Fee-Based or Fee-Only advisor charges either a flat fee or a percentage fee based on the total assets managed. Traditional brokers are paid on commission, and may be incentivized to sell you products that pay higher commissions.*

☐ What are my all-in costs?

The fee you pay an advisor is typically only part of your total cost. There can also be operational charges such as trading fees and account maintenance fees in addition to the expenses built into your investments. Ideally, you would like all operational costs waived or absorbed by your advisor, and you'll want to use investments with lower expense ratios. A good rule of thumb is to keep your all-in costs at or below 1%, and those costs should go down as your assets increase.

☐ Who is your custodian?

A custodian is simply the financial institution that actually holds your cash and investments for safekeeping, and provides independent, third party financial reporting to you (the owner) and to the government as required. To avoid a "Bernie Madoff Scam", make sure your advisor has partnered with a well-known and reputable custodian that is entirely independent. This "separation of church and state" protects you, the investor, from fraudulent schemes.

☐ What is your investment philosophy?

If an advisor answers this question by essentially claiming he/she is "better at picking (fill in the blank) than the other guy down the street, which will earn you a higher return" ... Run the other way! If that person really was better at picking stocks or funds or real estate or whatever than everyone else, they would be working as an investment manager for a multi-billion-dollar hedge fund, not as a financial advisor to the average American. Instead, you want to find an advisor who will design and implement a personalized strategy of long-term, risk-based portfolios. It isn't sexy, but it's what you need, and it's generally what's best for you in the long run.

☐ What are your qualifications?

Be careful with this one... Our industry is littered with what seems to be an alphabet soup of designations and certifications. While they may sound great and fancy, oftentimes the advisor may have only had to sit in a hotel conference room for an afternoon in order to earn the certification. Ideally, you would like to work with a Certified Financial Planner (CFP®) who is mandated to uphold the fiduciary standard and required to complete a rigorous training program in addition to ongoing continuing education. Additionally, it may be worthwhile to build out a well-rounded financial team for yourself with other certified professionals who have earned high level credentials such as an MBA, CPA, JD or PhD.

**Any opinions are those of Dashboard Wealth Advisors, and not necessarily those of Raymond James. Managed accounts are charged Advisory Fees in addition to internal fees of investment company products, and should be evaluated when determining the costs of a fee-based account. In deciding to pay a fee rather than commissions, clients should understand that the fee may be higher than a commission alternative during periods of lower trading. A list of additional considerations, as well as the fee schedule is available in the firms Form ADV (Part 2A) as well as the client agreement.*

For additional detail or help sorting through all this...contact the financial planning ninjas at Dashboard!



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