

Episode 42

Hey Everyone, welcome to another episode of the Winners Ways **Podcast**.

I'm **thrilled** to have you join me today, and on today's episode, we will be discussing what you need to know when you plan to hire a **financial** advisor. (You know that this show is about education & empowerment)

To give you some background:

I was **recently** in a discussion with a friend about a couple of weeks ago, and he **asked** me if **people** like him should get a financial advisor. He is of the opinion that it's only high net-worth individuals that need financial advisors. He said that based on his current net worth, it might not be worth it to hire a **financial** advisor. So you may have a good picture of my friend – He is in the middle-income class in America with above-average income.

I must tell you, that discussion was what **propelled** me to create today's episode. I have never thought about hiring someone that will advise me about how to manage my finances before. But because of the discussion, I did some research, and I will be sharing my discovery with you on "How to hire a financial advisor" if you choose to do just that.

My goal again is to **empower** you to make the decision, and sharing this information is a good way of doing that.

I will create a two-part series of this episode about getting a financial advisor. The first episode will be about how to hire a financial advisor, and we will discuss important things you need to watch out for in a financial advisor. The second episode which will come up next week will be about mistakes to avoid when selecting your financial advisor.

Without further ado, let's dive into today's episode
"How to hire a financial advisor."

Sounds Good?

OK

*For those that may not **know**, Financial advisors help people with their financial planning, by working with you to set financial goals, and they guide you in deciding, when to save, how much to save, how to handle debt, and when/how to invest to reach your financial goals.*

However, there are some myths about hiring financial advisors, that I quickly want to debunk.

1. It's for wealthy people. Only millionaires need advisors. That's not true. If you are not great with money management, you should consider a financial advisor to guide you.
2. It's too expensive. Competition has made it **affordable**.
3. They are mostly salespeople who don't **represent** my interest. Not all of them. Fiduciary.

4. They control how I spend my money (no more shopping, eating out, vacation??). You hire them, so they work for you.
5. It's just for investment. Taxes, estate planning, retirement planning, college education, debt management.

Now we've cleared the myth and you have been introduced to who a financial advisor is, I must also state that not everyone is ready to hire a financial advisor. If you are in debt and living paycheck to paycheck. You need to keep all your money, pay off your debt, and be in a position that you are **actually** able to save money before you should consider hiring an advisor.

You are going to have to pay for the service, so if you are still **struggling** with your finances, there is no need to keep digging. And for most people, their financial situation is simple – One house, one source of income, and one investment account. They may not necessarily need an advisor.

So the question is when is it a good time to hire a financial advisor?

Here's a good rule of **thumb**: that financial experts **recommend** "Once someone gets to the point that they have a **stable** and **steady** income and have the **ability** to save at least 20 percent of their annual income, it might be time to consider a financial advisor,"

Now let's get into the real deal, how to hire a financial advisor.

Choosing a financial advisor is a **significant** decision, yet some don't **consider** doing it, while others give it less **thought**. If you **choose** the right financial advisor, he or she will **protect** your money and put your interests ahead of their own.

Consider the process like an **interview**, because you are going to hire this fellow.

Here are some important points to consider when choosing a financial advisor.

1. **Is he a fiduciary?** By definition, a **fiduciary** is an **individual** or **organization** who **manages** assets on behalf of another person or entity. **Fiduciary** financial advisors hold a **relationship** of trust with their clients and abide by their **fiduciary** duty. The **fiduciary** duty is an ethical obligation to act solely in someone else's best interest. When someone acts as your **fiduciary**, they are required to act in your best interest. They put your interest and well-being above profit. Unfortunately, some financial advisors are salesmen, and they will use **several tactics** to **convince** their clients to act in a way that will favor them so that they can make money off the clients. **Salespeople/Stockbrokers** are not fiduciaries. So you have to make sure that your financial advisor is a fiduciary.
2. **How does he make money:** Financial advisors are **rendering** you a service, and they will get paid one way or the other for the services rendered. You want to know how they get paid because it can influence how they guide you to make decisions. **Stockbrokers** sell products (mutual funds, stocks, annuities). Financial advisors provide investment advice and other related financial services. There are three basic types of advisors based on how they are paid: commission-based, commission & fee-based, and fee-only.

- **Commission-based:** Commission-based advisors (brokers, insurance agents, registered representatives) sell financial products such as mutual funds, annuities, and insurance and receive commissions on those products. They are often employed by large financial institutions, and their sales figures influence their pay. As the name suggests, they make money through commission they get from selling financial products... so they may be influenced to sell bad advice to you, just to make their sales figures. You don't want that because of the obvious conflict of interest. As a result, there is a tendency that the need to make their figures may influence their recommendations for you.

- **Hybrid of Commission & Fee-based:** These advisors are typically affiliated with a brokerage company, and they are licensed to sell investment products and receive commissions as a result. However, they also provide financial planning for a fee. They also have conflicts of interest because they may be tempted to recommend financial products to you so that they can get commissions in return.

- **Fee-only:** This is the best type of financial advisor that I recommend for financial planning and/or asset management. Fee-only advisors have a fiduciary duty to act in the best interest of their clients. They only make money through flat fees, either by hourly rates or a percentage of the assets that they manage for you. They are not paid based on commission on product sales, so they are not influenced to sell bad products so that they can make more money.

3. **Verify advisor integrity & credentials:** This is like performing a **background** check on the advisor. You are hiring him or her to watch out for your interest, please do your due diligence by investigating him or her before you give them access to any of your information. Yes, the fiduciary duty of the advisor stipulate that they should watch out for your interest, but the responsibility lies on you to verify their background before you bring them on. So part of the information you need to check is their credentials:

- **Credentials:** There are several licenses and certifications an advisor can have: CFP (Certified Financial Planner) CPA (Certified Public Accountant), and ChFC (Chartered Financial Consultant). The CFP (Certified Financial Planner) is generally considered the **gold standard** in the industry. Advisors must have several **years of experience**, take an **extensive course**, and pass a six-hour exam to become a CFP. Once certified, they must complete **continuing education** and are held to **strict ethical standards**. A good credential to look for is the CFP or certified financial planner. CFPs are advisors who have met extra education and experience requirements to better serve their clients' holistic financial planning needs

- **Experience:** How long have they been in practice? What was their previous experience? Education is important, but advisors also need to have experience in dealing with real-life financial situations.

- **Ethics:** Honesty, integrity, no criminal records, etc. CFP Website: Disciplinary action, bankruptcy history.

4. **Verify their service offering:** What do they bring to the **table**. How will their **service** benefit you? What **financial** planning services do they offer? They have arrays of services – Tax planning, **Estate** management, **Investment** planning, **Debt** management, and so on. You need to **verify** the service that they offer and ensure it will be beneficial to you and also find out how

specifically they will work to deliver those services to you. How will they communicate with you? Is it **verbal**, face to face, telephone, and Skype? There is non-verbal communication in the form of email and reports. What information will they give to you? The most important report documents your performance on a monthly or quarterly basis. Other reports document holdings, transactions, and receipt of income.

5. **Interview multiple advisors.** FURNITURE (AMAZON WORLD) You are going to pay for the service, so please shop around and interview multiple advisors before you choose one. (At least FIVE) From talking to different advisors, you will have more ideas about what you are looking for and who you are comfortable working with. There are multiple questions to ask:

- How will they help you?
- What is their investment strategies?
- How will they communicate with you?
- INVESTING? What type of returns do they typically make?
- How do they measure success in a client relationship?
- What resources are they going to make available to you?
- What are their background and expertise?

And that's the deal right there "How to hire a financial advisor." You now have an idea about how to hire a financial advisor.

Conclusion

Getting a financial advisor is a very important decision that can make or mar your financial future. Your financial advisor should watch out for your interest, he should provide advice that will be beneficial to you and help guide you through savings, investing, debt and wealth management decisions. If you hire the right person, they will help save you money; if you got a wrong one, they will cost you money and hurt your finances. There are plenty of financial advisors out there; there are honest ones as well as deceitful ones. It is your responsibility to verify and vet any financial advisor before you hire them.

I hope today's episode has equipped you to have some ideas about if you need a financial advisor and how to start your search. It is my goal to help working professionals save money and build wealth. I hope I've been able to serve you today... Website, Rate Review & Share.

Till next week again. This is Bola Alabi. Now go win.