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How to Choose A Financial Advisor! By Janine Purves

Well, here it is spring, almost summer and many of my friends are making plans for their summer vacations. Many of them will spend hours deciding on the next holiday and it's over in 1 or 2 weeks. Our finances however, need to last for years or generations. Yet often, people spend less time planning their future than their vacation. It has been proven again and again, that effective planning and use of a qualified financial advisor will increase your average rate of return by 4% per year*. Why? Simply because we all procrastinate and we let emotions get in the way of investment decisions. An effective advisor helps to counteract this.

If you don't know where to start, consider the following issues:

1. Have specific objectives at the first meeting. For example, to explain what you are looking for and your overall financial objectives
2. Determine what the objectives of the advisor are. Find out how he/she handles clients i.e. processes, services available, investment objectives, usual investment choices, ideal client they wish to work for, average portfolio size. Understanding these issues will allow you to determine if you will be a valued client and get the service you are looking for. If the average portfolio size is much larger than yours; you may be lower on the totem pole for service.
3. Inquire about the advisor's experience and accreditations and ask for specifics i.e. time in industry and in what roles, and ask about future plans.
4. What products are available? If they only sell one system/product– it may be good quality and able to customize, but ensure this process really meets your needs. Consider your needs today and in the future. If you choose to leave the advisor, are you stuck with the company?
5. What protection for your assets does the company offer? This is important. By being a member of Canadian Investor Protection Fund, if the company goes under, you are protected for up to $1,000,000. This applies if the company went bankrupt – not if one of your investment choices turns sour.
6. Should you deal with your bank or a separate individual? You must trust the individual you are working with. I have worked on both sides of the industry and I believe independence is good. It allows your advisor to give thorough advice and to service you in all financial planning and investment issues. The banks offer many services which may be appropriate and are very convenient. However, in some cases the bank representatives are also involved in many different areas for the client and may not always have the time to service all your priorities.
7. Ask your financial advisor about all fees and how they are compensated. Advisors charge a range of fees and commissions. Trying to avoid fees will mean you may be opting for less service and may get you poor advice, if any. If you need advice or don't have time to properly monitor your investments, it's important to ensure you have the services you need in place. Ensure the fees are fair, but trying to save money could prove to be much more costly in lack of attention.

Make sure you take the time to make decisions and don't move too quickly on a new idea. It's better to think about your options and ensure all your questions are answered.

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** Source: Optima Strategy A Wealth Management Presentation – Why do you need an Investment Policy?.*