

## **Prospective Advisor Evaluation Template**

**(Not designed for evaluating insurance agents or brokers)**

For each candidate, obtain answers to the listed questions. Note that some questions reflect must-have requirements. If an applicant's response fails to measure up, reject him/her and move on to the next candidate.

This template aims to help you select an advisor for a broad array of financial planning needs. While you may turn to other industry professionals for specific products, for example, life or disability insurance, this document focuses on identifying a generalist who meets fundamental alignment, fee, and skill standards.

Brokers and insurance agents accept commissions and are not required to meet a fiduciary standard. Accordingly, I recommend using insurance brokers/agents only for purchases of necessary insurance products, but not turning to them for any other financial services. Seek an independent agent who is not employed by an insurer.

Using this template does not guarantee avoidance of advisors who may be inept, conflicted, overly expensive, or dishonest.

## Prospective Advisor Evaluation Template

Name of Applicant \_\_\_\_\_ Date \_\_\_\_\_

<p><b>1(a). Are you a fiduciary?</b></p> <p style="text-align: center;">Yes / No</p>	<p>If the answer is No, reject the applicant.</p>
<p><b>1(b). Are there circumstances under which you may not function as a fiduciary?</b></p> <p style="text-align: center;">Yes / No</p>	<p>Reject applicant if s/he does not act as a fiduciary for the functions you require. Remember, this template is not for selecting insurance agents or brokers.</p>
<p><b>2(a). Are you an independent advisor? Yes / No</b></p> <p><b>2(b). Are you affiliated in any way with firms whose products or services you recommend? Yes / No</b></p> <p><b>2(c). Do you receive any financial incentives for recommending certain products? Yes / No</b></p>	<p>If the answer is No, reject the applicant. Independence avoids conflicts of interest. Don't settle for a conflicted advisor.</p> <p>If the answer is Yes, reject the applicant.</p> <p>If the answer is Yes, reject the applicant.</p>
<p><b>3. Do you work on a fee-only basis?</b></p> <p style="text-align: center;">Yes / No</p>	<p>If the answer is No, reject the applicant. Under fee-only, you are the only source of the advisor's fees and the advisor does not accept commissions. Note: "fee-based" is not the same as fee-only.</p>
<p><b>4(a). Are you currently, or have you been in the past, under any form of disciplinary action by any regulatory agency, industry association, or self-regulating organization such as FINRA?</b></p> <p style="text-align: center;">Yes / No</p>	<p>If the answer is Yes, reject the applicant.</p>
<p><b>4(b). What is your CRD number? What is your employer's CRD number?</b></p> <p>Candidate's CRD# _____</p>	<p>Reject any applicant who refuses to provide a CRD number. When you receive the CRD numbers for both the advisor and her firm, use them to</p>

<p><b>Employer's CRD#</b> _____</p> <p><a href="#">FINRA's BrokerCheck</a></p> <p><a href="#">SEC Public Disclosure</a></p>	<p>search the applicant's and employer's records with FINRA and the SEC. If you find the applicant failed to reveal a history of infractions in the response to question 4—reject the applicant.</p>
<p><b>5(a). What is your fee structure?</b></p>	<p>Identify the fees for all relevant services. Find out if any other fees will apply, beyond those payable directly to the advisor. For example, will there be fees to open, maintain, or close accounts, separate marketing or trading fees, loads on purchase of funds, management fees charged by investment funds, commissions on purchases or sales of securities, etc. Reject anyone who charges too much, even if s/he appears skilled.</p>
<p><b>5(b). What are your fee breakpoints?</b></p>	<p>Breakpoints are asset levels at which your fees change. Many advisors offer lower fees on larger account values. Find out at what dollar amounts (breakpoints) those lower fees kick-in and what the fees are at each breakpoint.</p>
<p><b>6. Do you have a CFP designation?</b></p> <p>Yes / No</p>	<p>Reject anyone without a CFP. While a CFP does not guarantee expertise, it does reflect a meaningful level of commitment to the industry, as well as a willingness to undertake ongoing education.</p>
<p><b>7. How many years of experience do you have as an advisor?</b></p>	<p>At least 5 years is necessary—reject anyone who doesn't meet this threshold. I recommend finding someone with at least 10 years of experience.</p>
<p><b>8. Will you advise me personally or will I be handed off to someone else in your organization?</b></p>	<p>Reject the applicant if you get the sense that you'll be handed off to someone more junior with inferior skills.</p>
<p><b>9(a). What post-secondary educational credentials do you have?</b></p>	<p>Advisors are a diverse crowd and come from many different backgrounds. Gauge the relevance of the candidate's education and expertise to your needs.</p>

<p><b>9(b). What continuing education do you pursue in order to remain up-to-date in the field?</b></p>	<p>There should be some mechanism for the applicant to stay current as laws, products, and best practices evolve.</p>
<p><b>10. What made you choose to be an advisor?</b></p>	<p>There is no correct answer here other than getting a sense of the advisor’s sincerity in wanting to help clients and to do so the right way: with expertise, commitment, accessibility, and fair fees.</p>
<p><b>11. Which Designations do you hold (circle all that apply)</b></p> <p><b>CFP CFA CPA CLU ChFC</b></p> <p><b>Other (provide full names – not just acronyms):</b></p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>Some of the more common professional designations:</p> <p>CFP = <a href="#">Certified Financial Planner</a></p> <p>CFA = <a href="#">Chartered Financial Analyst</a></p> <p>CPA = <a href="#">Certified Public Accountant</a></p> <p>CLU = <a href="#">Chartered Life Underwriter</a></p> <p>ChFC = <a href="#">Chartered Financial Consultant</a></p> <p><a href="#">FINRA’s repository of professional designations</a></p>
<p><b>12. Which licensing (qualification) exams have you passed? (circle all that apply)</b></p> <p><a href="#">Series 6 – Investment Company and Variable Contracts Products Representative Exam</a></p> <p><a href="#">Series 7 – General Securities Representative Exam</a></p> <p><a href="#">Series 63 – Uniform Securities Agent State Law Exam</a></p> <p><a href="#">Series 65 – Uniform Investment Adviser Law Exam</a></p> <p><a href="#">Series 66 – Uniform Combined State Law Exam</a></p> <p><b>Other:</b> _____</p>	<p>Some of the more common exams:</p> <p>Numbered Series exams are administered by FINRA. Insurance testing is done at the State level.</p> <p>Ascertain whether provider is licensed for: Life Insurance, Property Insurance, Casualty Insurance, Health insurance, etc.?</p> <p><a href="#">FINRA Qualification Exams</a></p>

<p><b>13. In which States are you registered?</b></p>	<p>After passing licensing exams, finance industry professionals such as securities brokers, insurance agents, and investment advisors must register in the states in which they offer services.</p>
<p><b>14. Which specific services do you offer? (circle all that apply)</b></p> <p>General financial planning   Debt management   Budgeting  Liquidity/Cash management   Children’s College planning  Investment planning   Retirement planning   Insurance  Employment contracting   Estate planning   Tax planning  Asset protection planning</p> <p>Other: _____</p>	<p>This is a matter of convenience. Ideally, the advisor (or the advisor’s firm) has the expertise to provide all the services you require. It’s not necessarily a deal-breaker if they can’t, as long as gaps can be filled by other experts who are accessible to you elsewhere.</p>
<p><b>15. Do you personally invest in assets you recommend to clients?   Yes / No</b></p>	<p>A Yes is a very positive signal. A No is a negative signal, but is not necessarily a deal-breaker. If the advisor’s circumstances and risk preferences differ from yours, it could be legitimate for the advisor’s investment portfolio to differ as well.</p>
<p><b>16. How many clients do you have?</b></p>	<p>Look for a number between around 50 and 150. Too few clients may signal some level of ineptitude. Too many clients suggests the advisor may be stretched too thin and unable to spend enough time with you.</p>
<p><b>17. What is the turnover rate of advisors at your firm?</b></p>	<p>A high turnover rate is a red flag. A firm that can’t retain staff often has other problems that could harm your interests. It could also mean your advisor will depart soon.</p>
<p><b>18. How frequently will we meet?</b></p>	<p>You should meet, in person or by phone, at least twice a year. Once a year can work, as long as it meets your needs. More frequent meetings can be useful, but usually not necessary unless you have complex needs and a lot of decisions that need to be made on a continuous basis.</p>
<p><b>19. Who will have custody over my assets?</b></p>	<p>This is not a deal-breaker as many advisors use custodian firms to hold client accounts. If you prefer to retain full control over your assets, you need an advisor who will allow you to hold and manage assets in your own account.</p>
<p><b>20. Who will have authority to initiate trades in my account?</b></p>	<p>This is not a deal-breaker as many advisors may offer to initiate trades as they implement your financial plan. If you prefer</p>

	to retain full control over your assets and block anyone else from accessing and trading in your account, you need an advisor who agrees to function this way.
<b>21. Is there a minimum investment required?</b>	<p>Many advisors will only work with clients who have at least \$100,000 to \$500,000 in investable assets, and some will only work with millionaires. (This is somewhat ironic since those people who haven't amassed wealth are arguably the ones in most need of assistance.)</p> <p>Why isn't this question number 1 in the template? Because many advisors who have such limits will make exceptions when working with young professionals who have the potential to amass significant wealth. If the advisor has a rigid wealth minimum you can be sure s/he will make this clear before even agreeing to meet you.</p>
<b>22. Will we sign a formal contract outlining terms of service, fees, etc.? Yes / No</b>	It's useful to see the contract prior to signing and to document mutual agreement regarding scope of services and associated costs.
<b>23. How will you protect my sensitive information?</b>	The advisor should be able to provide a credible answer as to how your sensitive information will be protected.
<b>24. How will you protect my assets?</b>	The advisor should be able to provide a credible answer as to how your assets will be protected.
<b>25. Will you provide references?</b>	<p>This may seem like a very important question which should appear earlier in this template as a deal-breaker. Indeed, many advisors will provide references and you should follow up on them. But if any professional offers a reference you can be sure that reference will be favorable to the advisor. So, how much value is added when the reference predictably praises the advisor? You're still left to wonder whether the reference is sincere and legitimate, or an accomplice, friend or relative of the advisor. I'm not saying you should ignore references, but rather that you should take them with a healthy dose of skepticism.</p>