



How to Select a Professional Advisor

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A critical question you need to ask yourself when you begin the estate planning process is "Who should be on my planning team?" An article from the Virginia Cooperative Extension indicates that there are several professionals that you should consider having on your planning team. These include a financial planner, accountant, attorney, insurance agent, investment advisor/broker, and a banker/lender.¹ Here are some general questions you should ask before you hire a professional advisor. It's important to find an advisor that fits your style and needs. This will be a potentially large investment and you want to make sure the person or business you employ is going to be honest and strive to fulfill your needs and wishes.

General Advisor Questions to Ask:

The Certified Financial Planner website² lists 10 questions you should ask when choosing a professional advisor (investment advisor/broker, lawyer, accountant, financial planner, and insurance agent). They include the following:

- 1) What experience do you have?
- 2) What are your educational qualifications?
- 3) What services do you offer?
- 4) What is your approach to financial planning?
- 5) Will you be the only person working with me or will there be others?
- 6) How will I pay for your services?
- 7) How much do you charge?
- 8) Could anyone besides me benefit from your recommendations?
- 9) Have you ever been publicly disciplined for any unlawful or unethical actions in your professional career?

- 10) Will you provide a written agreement for the services to be performed?

Additional questions that you should ask when selecting a professional advisor:

- 11) Do you have any professional credentials? Are these credentials updated?
- 12) Do you have proper business/operating licenses if required?
- 13) What is the reputation of the business/individual?
- 14) What are your presentation and learning styles?
- 15) Will you present material in a manner that fits my learning style?
- 16) Will you respect my risk tolerance level?
- 17) Will you consider my personal financial goals?
- 18) What kind of clients do you have? Can you relate to me and "where I come from"?
- 19) What are your ethical standards?
- 20) What is your mission and vision statement?
- 21) Do you use confidentiality clauses?
- 22) Who do you release my information to?
- 23) Who do you work with? Who will see my information?
- 24) Who do you associate with? Are there any conflicts of interest?
- 25) Do you provide a cost estimate?
- 26) Are you a specialist in this area of work?
- 27) Will you work with your other professional advisors if needed?
- 28) Will you show me a sample financial plan that you have produced?
- 29) Will any of your clients provide testimony about the work you've done for them?

Definition of Professional and License Requirements: Investment Advisor/Broker

An investment advisor is someone who sells expert opinion or buy-sell recommendations on a particular type of investment such as bonds, commodities, mutual funds, and stock.³ A broker is an individual that takes orders and places them in the market on at the request of clients, as well as gives investment advice and plan trades.⁴



According to the Securities and Exchange Commission (SEC)⁵, you should ask an investment advisor and/or broker if they are/or have to be registered with the SEC, the state they work in, and

if they are registered with the Financial Industry Regulatory Authority (FINRA). Their registration requirements will depend on what they sell and the amount of money they manage in client assets. If they are registered with the SEC, you should ask them to provide you with an ADV form which lists the adviser's education, business and any disciplinary action within the last ten years, as well as information about what services are provided, investment strategies used, and fees. Most are required to register with the SEC and pass proficiency exams. Specifically brokers are required to register with FINRA, pass an exam, and be registered in their respective state.

Insurance Agents

An insurance agent is a licensed individual who can sell insurance products to clients for specific needs. They help clients determine the amount and type of coverage as well as provide claim service.⁶

According to the Financial Industry Regulatory Authority (FINRA)⁷ insurance agents are regulated by each states insurance commission. Insurance agents can be licensed in several areas depending on the type of products that they sell. They obtain these licenses through testing and being approved by the state insurance commission. The state insurance commission imposes marketing rules and requires financial reports from the business/individual.

Accountants/Tax Preparers

Accounts are individuals who are trained in bookkeeping, preparation, auditing, and analysis of accounts. They help to prepare annual reports, provide monthly financial services, provide tax planning, and advise on tax laws and investment opportunities.⁸ Accountants also usually prepare income tax returns.

According to the American Institute of CPAs⁹ a Certified Public Account (CPA) is required to have a bachelor's degree in accounting, obtain professional experience, pass an exam, and meet licensing requirements for their state. This qualifies them to prepare taxes, complete audits, and work in accounting. There are others who work as accountants that have other education credentials such as a degree in accounting, software training in certain programs or who may be enrolled agents. According to the National Association of Enrolled Agents,¹⁰ an enrolled agent is tax practitioner who is federally authorized by the U.S. Department of Treasury to represent taxpayers before all levels of the Internal Revenue Service. In essence they are also capable of preparing income tax returns.

Financial Planners

A financial planner is a professional who works with clients to achieve an overall financial plan based on goals, investments, tax planning, asset allocation, risk management, education, insurance, retirement, and estate planning.¹¹ Their goal is to help clients develop an overall plan for their financial situation now and into the future.

The credentials of financial planners are varied among planners. There are no specific requirements in this area. The most common credential is a Certified Financial Planner® according to the SEC.¹² CFP's are required to pass an educational requirement, a standardized exam, and have a certain amount of professional experiences. You need to verify the accuracy of each credential a planner has, and what it involves.

Lawyers

A lawyer is a professional who can provide legal advice and assistance to clients, or represent them in a court of law.¹³

According to the Wyoming State Bar¹⁴ lawyers are required to have a four year degree and graduate from law school. They are also required to pass the bar exam in the state they are going to practice.



Most of these professional advisors must adhere to specific rules laid out by their credentials. They also must abide by ethical guidelines and take continuing education courses to keep their

credentials current. Below are some resources to look for planners and to find out more about what their designations mean. Remember that credentials do not necessarily mean they will be a good advisor for you, so like everything else in life; comparison shop.

Resources to Find Professional Advisors

Once you have a general idea of what to look for in soliciting a professional advisor's assistance, you need to be able to actually locate an advisor. The best place to start looking for an advisor is right in the area where you live. Even if you live in a rural location, it would be wise to start looking in the nearest town that you conduct other business. Look in the phone book for these specific advisors. Observe advertisements placed in local newspapers, magazine publications, or billboards. You can also utilize the library or web to search for advisors in your area. Asking your friends, business associates, or family members for recommendations or referrals is also a good way to locate potential advisors. You should conduct individual research about these individuals or businesses. You can also utilize state associations or certification sites to locate an advisor or check their credentials. Here is a brief listing of potential sites to search for potential advisors.

- Financial Planning Association www.fpanet.org or 800-282-7526
- National Association of Personal Financial Advisors www.napfa.org or 888-333-6659
- American Institute of Certified Public Accounts/Personal Financial Planning Division www.Aicpa.org or 888-999-9256
- Society of Financial Service Professionals www.financialpro.org or 888-243-2258
- Certified Financial Planner www.CFP.net or 888-237-6275
- The American College of Trust and Estate

Council (ACTEC) www.actec.org/public/roster/search.asp

- AARP www.aarp.com/lsn/locations.html
- FINRA Broker Check <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck> or 800- 289-9999
- North American Securities Administrators Association at www.nasaa.org or 202-737-0900.
- National Association of Insurance Commissioners (NAIC) at www.naic.org
- The American Bar Association (ABA) <http://www.abanet.org/referral/home/html>
- Wyoming State Bar Association www.wyomingbar.org or 307-632-3737

Resources to Check the Disciplinary History of a Professional Advisor

- Certified Financial Planner Board of Standards, Inc. www.cfp.net/search or 888-237-6275
- North American Securities Administrators Association www.nasaa.org or 816-842-3600
- National Association of Insurance Commissioners www.naic.org or 816-842-3600
- National Association of Securities Dealers Regulation www.nasdr.com or 800-289-9999
- National Fraud Exchange (fee involved) 800-822-0416
- Securities and Exchange Commission www.sec.gov or 202-942-7040



(Endnotes)

- 1 A. White. *Managing Prosperity: Estate and retirement planning for all ages, building your financial team: financial planners*. Pub.448-063 (2002). Virginia Cooperative Extension. <http://www.ext.vt.edu/pubs/agecon/448-063/448-063.html>
- 2 *How to choose a planner: 10 Questions to ask when choosing a financial planner*. Certified Financial Planners. <http://www.cfp.net/learn/knowledgebase.asp?id=6>
- 3 BusinessDictionary.com
- 4 Financial Web <http://www.finweb.com/investing/what-is-a-broker-dealer.html>
- 5 *Investment Advisors: What you need to know before choosing one*. <http://www.sec.gov/investor/pubs/invadvisors.htm>
- 6 InvestorWords.com
- 7 *Selecting investment professionals. Learn about different types of investment professionals*. <http://www.finra.org/Investors/SmartInvesting/GettingStarted/SelectingInvestmentProfessional/P117278>
- 8 BusinessDictionary.com
- 9 *FAQs: Become a CPA*. American Institute of CPAs. <http://www.aicpa.org/BecomeACPA/FAQs/Pages/FAQs.aspx>
- 10 *What is an Enrolled Agent?* National Association of Enrolled Agents (NAEA). http://www.naea.org/memberportal/Resources/ForTaxpayers/whatis_EA.htm
- 11 InvestorWords.com
- 12 *Financial Planners*. Securities and Exchange Commission (SEC). <http://www.sec.gov/answers/fin-plan.htm>
- 13 Thefreedictionary.com
- 14 *Admissions-frequently asked questions*. Wyoming State Bar. <http://wyomingbar.org/admissions/index.html>