PDF: The 5 Things You Should Know When Choosing a Financial Advisor

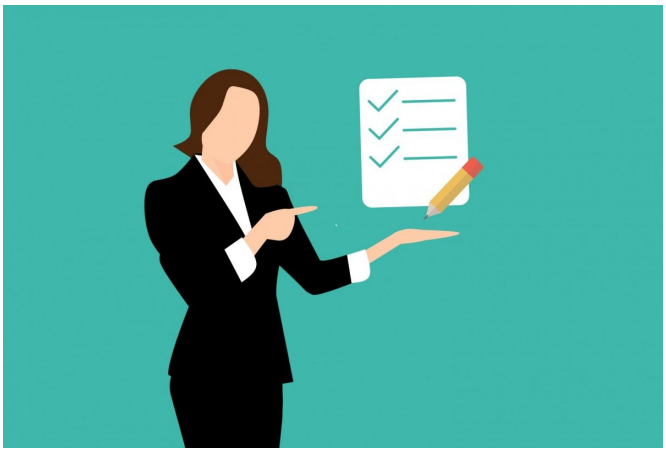
A Big Big Thank You!

Thanks to all of our clients who have spread the word! That fee-for-service advice (aka fee only / advice only) is the BEST kind of advice as it eliminates all conflicts and product biases.

My clients have seen their fees plummet and their confidence surge. Major losses have been avoided especially in oil and gas and marijuana stocks. Ask us for more information!

Financial Planning Checklist

Here are five ways you can evaluate a potential financial advisor.



1. Plan Ahead: Like most things, the first step is often to decide what sort of financial strategy you need. Are you looking to save for a home purchase? Are you a buy-and-hold investor? Are you more of a risk-taker? Picking an advisor who emphasizes mutual funds exclusively may not be effective if you want to keep costs low. So figure out your goal first, compromises you're willing to make, and work with someone who has the right expertise to get you there. Leave the rushing in to Elvis Presley, - it's not something we recommend for advisors who should be counted on for you and your family for decades.

2. Ask Around: Friends and family always have good (and sometimes bad) advice that they may be willing to share around investing and getting financial advice. Ask your trusted circle to see if anyone has an advisor they really like and why. Even if it hurts to hear, finding out about a bad experience and what went wrong can help you avoid pitfalls and and to know what to ask a potential advisor when feeling them out.

3. Get Personal: Whoever it is, just make sure you meet with them face to face before making any sort of arrangement. Remember, the advisor will need to have access to your finances, goals, and personal activities and you must feel comfortable sharing that information. Make sure you ask the right questions early like: how many clients do you help, who regulates your work, how do you get paid, when do you plan to retire, etc. Contact Conscious Wealth for more help and support with these questions.

4. Follow The Money: There are a number of ways that advisors get compensated, and it can pay (quite literally) to know how this happens. Typically, we've seen the **commission-based model** where the advisor gets paid a commission per trade, or a fee by the financial companies that make the products he or she sells. That's great in principle (since the customer never has to pay directly for the service), but it poses an inherent conflict of interest. Certain financial products pay higher commissions than others, which may give the advisor a higher incentive to move you in that direction – whether it's a good idea for you or not. That's led a movement toward other types of payment plans.

The **asset-based model** (often known as **fee-based**), is where your advisor is paid a percentage of your entire portfolio. Their payment grows as your portfolio grows, which *can* give them incentive to continually increase your portfolio value. However, they'll still get paid something regardless of performance, and the level of your assets may affect the level of service you receive.

The most discerning investors might prefer a simple 'fee-only' planner that charges by the hour, or on a project fee / retainer basis. These may also be known as 'advice only' or 'fee for service' models. The cost shouldn't be much more than about $200 or so an hour (and can be a lot less if you skip the 'fancy'), and less and less time will likely be needed once the core of the plan has been worked out.

5. Beware The Alphabet Soup: From CIM, to CFA, to TEP, there's a dizzying array of letters for financial professionals credentials. But experts mention the **two types** that most consumers should search for are either **CFP or RFP**.

These stand for **Certified Financial Planner** and **Registered Financial Planner.** RFP is generally needed for more advanced investors. Remember, a good financial planner's job is to guide your savings and investment strategy, not sell you products. The most qualified Advisors often will have their **CFA designation** - Chartered Financial Analyst - and some of these professionals will be registered as Portfolio Managers rather than Investment Advisors. Some Portfolio Managers are registered directly with the Securities Commissions, providing a higher standard of care than a typical representative who may be classified or license as more of a salesperson.

Due Diligence: A bad financial advisor can cost you higher taxes, fees, or lose your money altogether. Make sure to make time to research the right financial planner to reach your financial goals effectively!

Contact us at prosper@consciouswealth.ca if you have questions!

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