HOW TO FIND THE BEST FINANCIAL ADVISOR FOR YOU

AND EARN MORE MONEY ALONG THE WAY

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Any investor could benefit greatly from the help of a competent financial advisor.

But where are all the good ones hiding?

Even if you're only interested in a simple, low-cost strategy like investing in mutual funds with solid long-term performance, you're still going to end up sifting through hundreds of choices.

That takes time.

With so many choices even patient and well-informed investors are liable to make a few mistakes.

That's where the advice of a good financial advisor comes in.

A trustworthy advisor will work with you to develop an investment strategy that's right for you. Plus, the best financial advisors have spent years honing their investment strategies. Hiring one will likely result in more growth for your accounts.

By selecting a good financial advisor, you'll almost always end up earning more money over time than you incur in advisory fees.

The point is, the right advisor is always worth the cost.

In this report, we'll cover:

- The different types of advisory services
- How to differentiate between advisors legally required to act in their client's best interest, and those who earn commissions on the side
- The questions you'll want to ask when interviewing advisors, and what types of answers you're looking for
- The questions any good financial advisor should be able to answer about you and your portfolio.

When you're finished reading, you should know how to start seeking out an advisor that will help you grow your wealth and meet your financial goals. You'll also feel confident that the choices you make are the right ones. And, you'll be able to avoid the pitfalls and tricks that many new investors fall prey to.

WHICH TYPE OF FINANCIAL ADVISOR AM I LOOKING FOR?

There's a whole handful of different "types" of financial advisors you'll have to sort through. You can immediately thin that list down a bit by asking yourself a couple of easy-to-answer questions.

First – what exactly do I want my financial advisor to do?

This is a bit of a complex question, so let's break it down a bit.

Do you want your financial advisor to help you grow your wealth by offering investment advice?

Or…

Are you looking for someone who can help manage aspects of your existing financial situation such as savings, mortgage payments, debt repayment, and retirement plans?

If the answer to the question, "what do I want my financial advisor to do" has the word "plan" in it somewhere, for example, "I need someone to help me make a financial plan for retirement" or "I need someone to help me make a financial plan for my child's college education." Then you're going to want to start looking for a CFP.

A CFP, or Certified Financial Planner, is the gold standard when it comes to the "planning" side of financial advice.

They're required to meet strict requirements for both experience and education. Plus, they must continue their education even after getting certified.

This last point is important, as it distinguishes them from CFAs (Chartered Financial Analysts). They are also required to meet similar requirements and must pass a series of three exams to qualify.

CFAs fill a similar role to CFPs but they're not required to continue their education.

This doesn't always mean a CFA isn't a good choice. But, there is always a chance that they may have "fallen behind the times" if they completed their exams several years ago. If you end up meeting a good CFA, consider asking them what steps they're taking to continue their education.

If you're not looking for a "planner"...

If you're looking for investment advice and you want to grow your accounts instead of simply managing them, you're going to want to talk to a Registered Investment Advisor (RIA) or a money manager.

There are many different types of money managers, but the vast majority of individual investors are going to want to seek out an RIA over a broker-dealer or registered representative.

Why?

Well, one of the biggest mistakes individual investors make is accidentally choosing a financial advisor who earns commissions from product sales. This can create a situation in which your advisor isn't always acting in the client's best interest.

The nice thing about choosing an RIA is that they're a one-stop solution for all these conflict-of-interest issues. All RIAs are Fee-Only fiduciary advisors, which means they're legally obligated to put your financial interest first.

It's also worth noting that many RIAs are also perfectly suited to help with retirement plans if you're looking to grow your 401K. Many RIAs will advertise this. If not, you can always ask if they have experience dealing with 401K plans when you interview them.

But what if I want both?

Many Fee-Only advisory firms will have no problem helping you with financial planning, investment advice, and retirement planning.

Advisory firms will often have several advisors on staff, each specializing in a different area. Even if you mostly work with one advisor, you'll be able to seek advice from another member of the firm if you need additional services.

It's always worth asking up-front about each service you're interested in. If you're going to be seeking help from many members of the firm, it's a good idea to interview each one. This way, you can make sure you've covered all your bases.

BROKER-DEALERS

Many big investment firms serve dual functions as both Brokers and Dealers, hence the term Broker-Dealer (BD).

A broker is any party able to provide trade execution to a client. They may be full-service brokers, which are very much like an advisor and can provide specific investment recommendations and long-term planning. Also available are discount brokers, which are a service (such as a website) that allows you to buy securities with minimal help from an actual human.

Dealers conduct trades on behalf of the firm itself, using in-house accounts. They help trading by creating and maintaining liquid markets.

Many large commercial banks and investment banks operate as broker-dealers, as well as some smaller money-management firms that cater to specific clients.

RIA VS. BROKER-DEALER

Again, in most cases, an RIA is going to be the optimal choice for most individual investors.

There are a few specific cases in which a Broker-Dealer (commonly known as "brokerage firms", such as TD Ameritrade, Schwabb, Merrill Lynch, Morgan Stanley, etc.) might be more suited.

Broker-Dealers have access to certain products and services that are difficult to find elsewhere. If you're interested in certain "alternative investment" models such as hedge funds, tax credits, non-qualified plans, and IPOs, or retirement programs catered to specific professions, having a discussion with a Broker-Dealer about what they offer might be a good idea.

The Fee-Based and Fee-Only "Trap"

As you can see, Fee-Only RIAs are the right choice for individual investors the majority of the time.

That's why you need to be extra careful of the "Fee-Based advisor trap."

Currently, there are two broad categories of financial advisors you should take extra note of, Fee-Based and Fee-Only.

One of these advisors is legally required to put their clients' best interests first. The other is only required to recommend investments that are "suitable" for their clients. They're also allowed to earn commissions on the side.

These two categories, Fee-Based and Fee-Only, sound very similar... and there's a reason for that.

Up until recently, Fee-Based advisors were often referred to as Commission-Based advisors. But once more and more people started to realize that Fee-Only advisors existed (and that they were generally a better option) the popularity of Commission-Based advisors started to wane.

At this point, this new classification, the Fee-Based advisor, emerged. The term was created to be as similar as possible to the Fee-Only classification. Commission-based advisors wanted to move as far away from any mention of "commissions" as possible and adopt a new name for themselves that resembled the "Fee-Only" classification.

Thus, the term "Fee-Based" was born.

It's not unreasonable to assume that the term "Fee-Based" was created to deliberately confuse individual investors who haven't had the time to research the playing field.

Imagine this… an investor – let's call him "Dave" – unexpectedly comes into a large sum of money.

Let's say a family member passes away and leaves Dave a seven-figure sum… or he hits the mega-jackpot at his local casino, something like that.

Now, let's assume that Dave has never had access to this amount of money before and that he's never done any research into financial investment. He asks a friend who says something like: "Get an advisor , and make sure they're Fee-Only."

So, Dave googles "local financial advisors" and calls the first number that pops up. He gets in touch with an advisor and, when he asks if they're Fee-Only, the advisor responds, "We're Fee-Based."

Now, most people would do a little more poking around to figure out what "Fee-Based" means. Then again, the two terms are so similar that you couldn't blame someone for thinking they're the same.

Especially if it's someone like Dave with no prior experience in financial investments.

This is exactly what Fee-Based advisors bank on, and studies show that billions of dollars are lost every year as a result.

So, what's the big deal? Are Fee-Based advisors all that bad?

Well, not in every case. We're sure there are some commission-based advisors out there that act in their client's best interests. Some investors intentionally choose a Fee-Based advisor because they tend to charge lower initial fees.

But, there's one big statistic you should be aware of if you're thinking of cutting some of those up-front costs by choosing a cheaper advisor.

Studies conducted by the U.S. government estimate that about $17 billion dollars are lost EVERY YEAR from investments made by non-fiduciary (commission-based) advisors.

Think about that. $17 billion lost... every single year from a combination of underperforming financial products and over-priced "hidden fees."

That's a pretty big number, and it's all because investors are seeking out non-fiduciary advice.

We've mentioned the term "fiduciary" before. This is a great example of why it's important that you understand some money-manager terminology.

It's easy to find and hire a fiduciary to help grow your accounts. But Americans still throw $17 billion down the drain by hiring non-fiduciary advisors.

Why? Because they don't know about that $17 billion loss, and because they don't know how simple it is to find a good advisor.

Let's dive a little deeper into the term itself, and the best methods for locating the right fiduciary for you.

WHAT EXACTLY IS A FIDUCIARY?

Fiduciaries must be either Registered Investment Advisors (RIAs) or Investment Advisor Representatives (IARs).

These are the only money-management professionals who can charge flat fees for advice and ongoing services.

Again, all fiduciaries have a legal responsibility to act in their client's best interest. In fact, they're even legally obligated to put the client's financial interest above their own.

It seems like this should be a given. As more and more Americans become aware of the importance of hiring a fiduciary, it is becoming more commonplace. But don't forget that huge $17 billion price tag still attached to non-fiduciary advice.

Non-fiduciary advisors are required to make "suitable" suggestions to clients. Unfortunately, the definition of "suitable" is pretty broad.

Non-fiduciary advisors aren't allowed to just throw your money away. But there's no legal obligation for them to offer you the cheapest or best options for your accounts. A lot of this $17 billion loss is coming from clients who are talked into purchasing overpriced insurances or services. Non-fiduciary advisors often earn commissions from sales and can be quite skilled at the whole "salesmen talk" gambit.

You know that trope of slimy used car salesmen who talk buyers into purchasing a host of extra options they don't want? We're talking about the exact same thing here in the money-management world.

Now, that's not to say that all non-fiduciary advisors are crooks and thieves. But there's something important you should consider…

If you discover that your financial advisor isn't acting in your best interest, wouldn't you want to be entitled to some legal action?

If your advisor isn't a fiduciary, you're pretty much left on your own. As long as they can prove their recommendations are "suitable," you won't see a dime in compensation. Even if your accounts take a serious hit as a result of their actions.

So, if you hire a fiduciary advisor, there's a legal precedent already in place. If it turns out they're accepting commissions for selling overpriced insurances, you'll be entitled to financial compensation.

Plus, fiduciaries are held to the highest standards in the industry, so finding one with a few years of experience should give you peace of mind that they're doing their best to help you succeed.

HOW DO I FIND A FIDUCIARY?

There are a few simple ways to go about locating a fiduciary.

First, you can use the Security and Exchange Commission's investment adviser public disclosure search tool, located here.

You can plug in your zip code to look up the filings of advisors in your area. RIAs (which are all fiduciaries) will have a Form ADV Part 2A filing available to view.

One thing to note here is that some advisors are dual registered, and also act as brokers. This isn't necessarily a bad thing, but it is something you should be aware of, as it could create a conflict of interest. If this is the case they will be required to disclose this information to you if you ask.

You can also use the National Association of Personal Financial Advisors (NAPFA) search tool located on their site.

All advisors registered with NAPFA are required to be true fiduciaries and will not be dual registered.

You're also welcome to schedule a call with a member of the Avalon team. We can always help you locate the best advisor for your individual needs. We also have in-house fiduciary advisors with decades of experience in the industry, if that's something you're interested in.

Once you've narrowed your search to a few choices, it's time for something a little more interesting — the process of interviewing an advisor to find the best option for you. That brings us to our next topic…

8 QUESTIONS YOU NEED TO ASK BEFORE HIRING AN ADVISOR

Each investor is different, and your specific needs are going to be unique to you. These questions will help you decide whether an advisor is a "good fit", or "the best possible choice."

The following list of questions should serve as a rough guide, but don't hesitate to ask specific questions that address your needs. There's no shortage of financial advisors in the world, so make sure you're not settling for one that doesn't feel right to you.

Question #1: What are the requirements to invest with your firm?

Most money-management firms have a minimum asset requirement to get started. Don't waste your time talking with an advisor that you don't qualify with.

However, it's worth noting that sometimes even firms with account minimums may be able to offer cost-effective advice that can be of great benefit to an individual investor.

Make sure the advisor knows what type of potential business you might come with. Let the advisor know if you have a 401K that you'd like to rollover, or if you know a group of people who recently left their job (who might also have 401Ks to roll over). Let the advisor know if you believe you'll come into ownership of any large sum of cash or assets. Let the advisor know that you'd like to have your money in one place (if that's the case).

The best approach is to get to know two or three advisors over the course of 3–6 months. If the prospective advisor doesn't have the time to have a few conversations with a real prospect over 3–6 months then you might have a sense for how much attention you'll get when you're a client.

Not a good sign.

But don't think the strongest advisors are so busy that they can't spend time with you – like that awesome doctor who you can't get an appointment with until 6 months after you're no longer sick. If the advisor has lots of money under management it's probably not because he or she makes a habit of turning away business.

Some will only work with high net worth customers as a strategy to manage their time, but others will be more clever on how they allocate their time or delegate their business to others who work on the same team.

Get comfortable with interviewing advisors. Over a few months, you might build a rapport with one of them. Most people wouldn't get married without dating first. Just the same, you should get to know your potential advisor a bit before working with him or her.

If you're going to end up with some advisor who barely pays attention to your specific needs, then you may be better suited just owning a few dynamically managed exchange-traded funds (like the iShares Momentum Fund [MTUM]) or exchange-traded funds that seek to match popular indexes like the S&P 500 (like the SPDR S&P 500 Fund [SPY], or the iShares Emerging Markets Fund [EEM]).

If you want to have at least a little bit of human involvement then you can sign up for the very low-cost operators like Charles Schwabb. You'll get what you pay for, meaning it will cost next to nothing, but at least you'll have some human involvement.

Otherwise, most people are comfortable with a full-service advisor because they hold the most important responsibility that dramatically affects you, which is to construct your investment portfolio to match your financial situation and tolerance for investment portfolio value-fluctuation.

Question #2: How are you paid?

It's important to establish this early on. Advisors are paid in one of four ways:

- A percentage of assets managed
- A flat hourly fee (usually only if you're using them to create a financial plan)
- Commissions on securities
- Commissions on insurance products

Advisors who charge a percentage of assets managed or flat fees are often the best choice. Remember, their payment depends on their ability to manage and grow your accounts. If your accounts are suffering, their payment also goes down. This becomes an extra incentive for them to manage your accounts well.

Question #3: What licenses, credentials, or other certifications do you have?

It might seem like you want an advisor with as many certifications and licenses as possible. But this can show that they're not specialized in one area and have instead obtained these licenses to sell more products. It also says nothing about how they manage their business.

I have several qualifying licenses or registrations and I can tell you firsthand that passing those exams doesn't mean you're good at what you do. Advisors need to be practical in their thinking.

They need to be willing to refer you to other experts whether they get a piece of some commission, an extra fee, or nothing at all. Making money off of you shouldn't be the only thing they're focused on. Advisors need to have a "strong ear", listen to what you're saying, and give you suggestions you may not have considered yet. They should lead the relationship but still serve their boss – you.

The "required" licenses for money management are very basic and easy to acquire. You may instead want to hunt for an advisor who has specialized in a certain area that may benefit you specifically.

If you're looking for someone to help manage multiple aspects of your finances and design a plan for your future, you probably want an advisor with a Certified Financial Planner (CFP) designation.

If instead, you want qualified investment advice, you're looking more toward advisors with the Registered Investment Advisor (RIA) designation. Again, this is a personal issue, so make sure to look into the different types of advisors beforehand to figure out which fits you best.

Question #4: What types of services does your firm provide?

This is an easy way to figure out if the advisor and their firm fit your needs. You know what you're looking for, make sure it's something the advisor in question specifies that they do.

Question #5: Will I be working only with you, or with a team? Who is actually managing my money?

This will help you determine if the advisor you're talking to is actually an expert. It's also possible you're talking to a middleman who hands your money over to someone else in the firm. This isn't always a bad thing, but it's worth noting if you're actually talking to a real money manager or someone down the ladder.

You may also want to speak to a few different members of the team if you think you may be working with each of them separately. For example, there may be times when you need assistance from the team's asset manager and other times when you want to speak to someone who specializes in estate planning. Try to pin down who you'll need the most help from and make sure you schedule time to speak with them individually.

Having a "team" to work with can be a benefit, as it ensures you'll always have someone to talk to, even if the advisor in charge is currently busy. You should ask a prospective advisor if they have someone you'd speak with immediately if they aren't available. You should actually try to get on the phone with the other person - just to confirm.

An advisor with a strong team means you have a strong team.

Question #6: What makes your client experience unique?

Every advisor should be prepared to answer this question. Their response will help give you insight into what they consider important.

Independent advisors should make sure your goals are explainable by both you as well as the advisor. If you or the advisor can't clearly explain your goals after a few conversations, you should probably search for another one.

You're not looking for a specific answer here, but you may want to note if the advisor makes a point to specify how often they'll make an effort to communicate with you as a client. Often, issues with portfolio performance come down to an issue of too little communication. The advisor should at least be committed to quarterly reviews and should be willing to communicate with you more frequently if you require.

This question will also help differentiate between advisors and narrow down the end results.

I will say this: In my three decades of client experience, including being a chief compliance officer, chief investment officer, director of risk management, and office principal and portfolio manager, the #1 reason clients leave the advisor is not over performance but over bad communication.

Strong communication is paramount and of utmost importance. This is GREAT NEWS for an investor who's searching for the right investment advisor.

Why?

You'll probably gain a pretty solid sense for whether or not you and the advisor have strong communication during your conversations with them. Your advisor must be a good listener but also help you along in your thinking.

You're paying the advisor to help you think through what you should do, not just for you to tell him what you should do or what you think your demographic should do. You want solutions to your current situation.

Anyone who's built a business will tell you that one of the toughest things about the process is hiring.

A business can hire and fire until they find the right person even more easily than you can fire an advisor and transfer your assets away. So, just like any business owner, you have to really try your hardest to get it right the first time out.

Don't be too gun shy but make sure you're comfortable with the advisor's communication with you.

There's only so much in your control and it may take two or even three tries to find a good one. Make sure that the advisor you're putting your time into is willing to put time and focus back into you.

You want an advisor, not a "yes man." An investment advisor should have the freedom and flexibility to do what the client wants. If the client wants money parked for 12 months the advisor should be able to say "I'm not going to charge you on this money. I'll just put it in assets to keep it safe" (like money market or Treasuries or guaranteed low-interest bearing security).

The opposite of this would be the big-name "wirehouses" like Merrill Lynch, Wells Fargo, Morgan Stanley, etc., who may charge for something like that.

The advisor should truly have the flexibility to follow and execute what the client's needs are and not the brokerage firm's available programs. This is one reason an investor may consider an independent advisor as opposed to a big-name firm.

Question #7: How much contact do you have with your clients?

Do you want your advisor to contact you on a regular basis so you know exactly what's going on?

Would you rather your accounts run on "autopilot"? There's no right or wrong way to do things here, many advisors are capable of handling your accounts on their own. Ask yourself how much you want to be involved in the process and look for the corresponding answer.

Question #8: Did the advisor ask me questions? Did they seem interested in me?

This last question is one you should ask yourself after the interview has concluded. If the advisor didn't seem to care about you or ask you any questions, you may want to move on.

A good advisor will need to ask questions of their client to determine if the client is right for their firm. Questions also establish an idea of how to handle your accounts. A good advisor knows that every investor is unique. They will need to establish how to handle your accounts early on.

Again, these questions are a general guideline, and you'll want to come up with a few further questions that fit your specific needs. The questions above should apply to any advisor you interview and will give you a very good idea of how they operate.

5 QUESTIONS A POTENTIAL ADVISOR SHOULD BE ABLE TO ANSWER FOR YOU

Another important element of determining whether your chosen advisor is truly a great advisor is how comprehensively they're able to break down and evaluate your portfolio.

Once you've shared your existing portfolio with a potential advisor, or once they've designed a portfolio for you, it's a good idea to run these five questions past them to ensure they have the answers.

Note, if this is a portfolio they've designed or rebalanced for you the answers they give you should be ones that make you feel more confident in their ability to manage your money.

Most advisors have powerful investment software tools that will allow them to quickly obtain the answers, so any hesitation or confusion on their part could indicate that they're not fully equipped for the job…

Question #1: How would my current overall investment portfolio perform – within a 5% margin – if this year were just like 2013?

This was the best year for U.S. stocks in 16 years. The main stock market benchmark, the S&P 500, gained 32.4%. By contrast, bonds had their worst performance in 19 years. The Barclays U.S.

Aggregate Bond Index, a common bond market benchmark, declined 2.02%. Commodities performed poorly, with the DJ-UBS Commodity Index down 10.8%.

Question #2: How would your current investment portfolio perform if this year were just like 2008?

This was the worst year for U.S. stocks in 77 years. The main stock market benchmark, the S&P 500, lost 38.5%. Bonds had a moderate year. The Barclays U.S. Aggregate Bond Index, a common bond market benchmark, gained 5.24%. Commodities performed poorly, with the DJ-UBS Commodity Index down 36.79%.

Question #3: What is my current percentage weighting between stocks, bonds, commodities, and "other"?

A good advisor should be able to access this information at the drop of a hat, and if they've recently been working closely with your portfolio, they may even know it off the top of their head.

Question #4: What percentage decline in the value of your investment portfolio would cause you to hit the "eject button" and take major action, such as moving everything into cash, or at least making a major change in allocation?

This question measures how well your advisor has been able to assess your level of comfortable risk.

Their answer should closely match the one you'd give if you asked this question of yourself.

Question #5: Is it possible, considering your portfolio's current weightings, that you could reach that maximum pain point if we experience any financial market climate that we've experienced over the past 30 years?

Every good advisor has a way of determining your own personal boiling point and will position you in such a way that you won't reach the point of panic. The real challenge for the advisor is convincing the client to accept the realistic returns that their risk levels position them to achieve.

It's important to note at this point that a good advisor will both know the answers to these questions and will go out of their way to make sure you know these answers too. If it feels like they're "hiding" something from you at any point, it's possible that they're not acting in your best interest.

As you evaluate your advisor going forward, you should see them regularly updating you any time the answers to these questions change. They should also be in touch on a regular basis to ensure your personal risk tolerance remains the same.

WHAT THE BEST ADVISORS KNOW…

To sum everything up, let's look at all of the details your advisor needs to know about your portfolio.

If they haven't done the work to collect all of this information, they're not in a position to help you to the best of their ability. This can either mean they don't have the skills necessary to manage your accounts or worse… that they're a predatory advisor not acting in their clients' best interests.

First – The advisor must know, updated in real-time, how your entire investment portfolio is allocated. That means, even if you have a couple of accounts at J.P. Morgan, another account at TD Ameritrade, another one at e-trade, and another one at Avalon, the advisor knows how those combined accounts are weighted in terms of asset classes and sectors within the asset classes.

For Example:

- **64% in U.S. equities across all 4 accounts**
  - 30% Technology stocks
  - 25% Industrial stocks
  - 23% Healthcare stocks
  - 22% Energy stocks
- **22% in Fixed Income across all 4 accounts**
  - 48% High yield bonds
  - 34% Preferred convertible bond funds
  - 20% International sovereign debt funds
  - 11% in Commodities across all 4 accounts
  - 6% Energy funds
  - 5% Industrial metal funds
- **3% in Cash**

For the best advisors, this is a no-brainer. They should have software capable of compiling your account information (once you've given permission), and they should be able to access it quickly and easily.

Second – The advisor must be able to stress-test the total invested asset portfolio under various market conditions to determine what the portfolio would do – such as:

- How the value of the portfolio would change in a climate like the year 2013
- How the value of the portfolio would change in a climate like the year 2008
- How the value of the portfolio would change in the climate we experienced from the mid-2007 stock market high to the early 2009 stock market low
- How the value of the portfolio would change if interest rates quickly went up by 2 percentage points

Again, for a competent and well-equipped advisor, this is simply a matter of plugging your information into various software tools. If this seems like a difficult task for them, you should be worried.

Third – The investment advisor must determine at what point, your "emotional boiling point" would be reached. While this may sound impossible, it's actually not that difficult. A good advisor has software that can assign you a "personal risk score" that speaks to the level of volatility you can withstand. Everyone is different. And not everyone is honest with themselves about what they can really handle.

A good advisor will use real dollar values – the exact dollar value of your portfolio and the exact dollar value that your portfolio could decline – when they ask you a series of questions about how much volatility you can handle.

With the answers to these questions, they can determine your personal risk score. It should be updated when the advisor has regular update discussions with you.

Fourth – The advisor must also determine your portfolio's risk score and make sure it's close to your personal risk score. For example, if your personal risk score is a 67, but your portfolio's risk score is an 84, then you need to get out of that situation and change your portfolio's weightings to get your score down near a 67. It doesn't have to match exactly, but it should be close.

When the market climate inevitably changes – and it can change pretty fast – a portfolio with a much higher risk score than what your personal risk score is will cause the dollar value of your portfolio to decline past your boiling point, causing you to panic and make mistakes. Many advisors will be afraid to have this conversation with you because they're afraid of what it might lead to.

Investors too often want to be "romanced" instead of being told the truth about realistic expectations.

Most come into a relationship with unrealistic expectations and want "high returns with low risk."

Well, a good advisor not only knows how to achieve high "risk-adjusted returns" but also has a strong relationship with the client and is confident enough to tell it like it is. If your advisor is lying to you – even if he or she is telling you what you want to hear – then the advisor is a predator.

Fifth – A solid investment advisor needs to know what the client's criteria are in order to have good judgment about whether the client should even take on the risk they say they are willing to take. If a client wants to be conservative in order to feel comfortable, then that's okay.

Feeling comfortable with your investments and volatility level is so important that an advisor should avoid encouraging any client to take on more risk than the client is comfortable with.

But what about clients who are just too brave for their own good? If you fill out the questionnaire and determine that your personal risk score is an 85 but your income levels, savings levels, or life expectancy is not in line with that type of risk level, then your advisor needs to step in and be responsible enough to say "no." The advisor should do everything possible to make a strong case for you that you shouldn't be so brave. Bravery can be very dangerous in the investment world, especially when you will need the money for medical bills and emergencies.

If you have a good advisor, the advisor is willing to put his own fees on the line and say he's not willing to accept your account if you refuse to take on less risk.

Your investment advisor needs to have information about your health, your income, your debt, all of your assets, and more. If your advisor doesn't seem to be at least a little invasive in learning about your personal health and financial situation, then it may be a red flag. Treat your investment advisor like your doctor and tell all. It will help you in the long run – that is, if you have a good advisor.

AVALON
THE FUTURE OF WEALTH

Michael Reilly

Michael Reilly
Director of Risk Management & IAR

If you have any questions *don't hesitate to schedule a call with a member of the Avalon team or reach out to us. We can help guide you through the process of finding the best advisor for your needs and address any specific concerns you may have.*

Click here to pick an appointment time »

A consultation carries no commitment, if you'd simply like to ask a few questions we'd still love to talk with you.