GRADE YOUR ADVISOR CHECKLIST

So how do you know if your advisor is a good one? It's as easy as giving them a simple test. You need to find out if they know these five key details about your account. 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.

1 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.

2 The advisor must be able to stress-test the total invested asset portfolio under various market conditions to determine what the portfolio would do.

Like, how the value of the portfolio would change in a climate like the year 2013 or how the value of the portfolio would change in a climate like the year 2008. 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.

3 The investment advisor must be able to determine at what point, your "emotional boiling point" would be reached.

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 when they ask you a series of questions about how much volatility you can handle.

4 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.

5 The investment advisor should know what the client's criteria are in order to have good judgement about whether the client should even take on the risk they say they are willing to.

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 they're comfortable with. 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.

Did your advisor pass the test? If not, we're here to help.
Reach out to schedule a free, 1-hour consultation with one of our advisors today.
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