Select a Wealth Manager

Whether your wealth is earned, inherited or a combination of both, most high net worth individuals rely on the expertise of a professional advisor to assist them in their financial lives. In recent years, the terms "wealth manager" and "financial planner" or "financial advisor" have been increasingly interchanged. Is there a difference? Yes. It's the difference between being chauffeured to the destination of your choice and being handed a map.

While the term is still evolving, it is generally agreed that a wealth manager is an integral consultative member of a financial support team for individuals who have more complex financial needs. The level of net worth for individuals served by wealth management firms tends to be higher than those served by financial planners or advisors, although exceptions to this generalization definitely exist. Choosing the right firm or advisor can literally be a life-changing decision. As with any selection process, it's important to examine these key areas:

Qualifications & experience. The terms "financial planner" and "financial advisor" are used by many financial practitioners. Reputable designations that qualify a professional to offer financial advice are Certified Financial Planner professional or CFP practitioner, a Certified Public Accountant/Personal Financial Specialist (CPA/PFS), or a Chartered Financial Consultant (ChFC). Ask how long the firm has been in business.

Scope of services. The services are often directly related to what the firm is certified to do. In general, financial planners cannot sell insurance or securities products such as mutual funds or stocks without the proper licenses, or give investment advice unless registered with state or federal authorities. Wealth managers, who must be registered with their state or the U.S. Securities and Exchange Commission, offer financial planning advice on a range of topics such as portfolio management and estate planning but do not sell financial products.

Approach to wealth management and financial planning. Ask what types of clients and financial situations a firm works with. Some prefer to develop one plan by bringing together all of your financial goals. Others provide advice on specific areas, as needed. Make sure the advisor's viewpoint on investing is aligned with your own. Some firms require clients to have a certain net worth or certain amount of investable assets before offering services. Finally, ask if the firm executes the financial planning recommendations developed for you or will refer you to others who will do so. You should have the flexibility of retaining your current trusted legal or tax advisor.

Compensation. A firm should clearly state in writing how it is paid for the services provided. There are several forms of compensation:

- Fee only: Advisory firms charge for their advice based on an hourly rate, a flat rate, or on a percentage of a client's assets. Their income is not dependent upon quotas or selling products.
- Commissions: The firm is paid by a third party from the products he or she sells to carry out the financial planning recommendations. Commissions vary greatly.
- Fee/commission combination: Clients are charged a fee to develop financial planning recommendations, and commissions are received from any products sold. Some firms may offset a portion of the fees if they receive commissions for executing their recommendations.

Objectivity. Are there relationships that could affect the advisor's judgment while working with you? Do they receive payment from products or services they recommend? Are there conflicts of interest? Ask them to document conflicts of interest in writing. Financial advisors who sell insurance policies, securities or mutual funds have a business relationship with the companies that provide these products. The planner may also have relationships or partnerships that should be disclosed, such as fees or business received for client referrals to an insurance agent, accountant or attorney for implementation of planning suggestions.

Check disciplinary actions. All financial advisors who have registered as investment advisors with the SEC or state securities agencies, or who are associated with a company that is registered as an investment advisor, must provide clients with a written disclosure form called Form ADV Part II or the equivalent.

The Financial Industry Regulatory Authority, state insurance and securities departments, and CFP Board of Standards keep records on the disciplinary history of financial planners and advisors. Ask which organizations the advisor is regulated by and contact these groups to check backgrounds.

You are trusting a firm or individual advisor with your hard-earned assets. Make sure they are worthy of such trust.

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