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Questions to Ask Every Money Manager You Ever Hire

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Why don't all financial advisors work in their clients' interest, in a coordinated manner, 100% of the time? The short answer is—because they can. And as a culture we have gotten used to this. Investors who have experienced financial wrong doing at the hands of a service provider who want to right a wrong may, unfortunately, be embarking on a lengthy, expensive—and sometimes futile—process.

Why don't investors demand something better? Billions spent on global advertising have made brands and institutions familiar—they're presented as established, well-run companies worthy of our trust. And as consumers we often give it to them. If there was an alternative, large institutions would stand to lose trillions of dollars. Nearly $46 trillion is privately managed, according to Bloomberg News, so clearly not everyone is using their local neighborhood stockbroker.Speaking of which, when was the last time your stockbroker spoke to your accountant, lawyer, or business manager to talk about the big picture of your wealth profile?

If you said "never," you're far from alone—this behavior is common, even among the affluent (yet uninformed). But this lack of coordination could be costly. For example, if a stockbroker buys a new product on a client's behalf, and it's not accounted for at tax time, substantial tax liabilities can accrue. You see this not only in tax planning but in estate planning, business structuring, budgeting, and in buying assets. This is where an overview of everything going on financially is the best course of action.

Ironically, many experienced investors continue to take an à-la-carte rather than an integrated approach to managing their wealth. But the best advice takes into account legal, tax, and estate planning implications as well as the decisions which could potentially do as much harm as good.

Even when a qualified financial planner, personal banker, CPA, and an attorney are employed, that may not be enough. When an investor metaphorically is at the center of a circle, with all of his or her people vying for attention, with no organized integration, the consequences could be damaging. Each person has his or her agenda and is often trying to sell something. Nobody in such a scenario will have a clear understanding of how one investment affects another.

A responsible wealth management strategy includes plans for preserving wealth as well as growing it. According to the Bureau of Labor Statistics, the financial services industry is poised to grow 22% or more by 2022—there will be no shortage of people who wish to be managing wealth. Who should you hire?

Five Important Questions

What qualifies you to do this work? Pay close attention—the response may contain impressive-sounding titles, registrations, and certificates—and these things may not mean much. Further investigation is needed to assess the manager's overall experience. We recommend asking to see an audited track record. Traditional brokers, who function as salespeople, won't have this; only professional investors who have accumulated years of experience can provide this. It's also advisable to ask, "Who do you work for?" If an advisor works only for you, s/he may sign a fiduciary oath without conflict. If a money manager refuses to sign one, why? If the person is not working for your best interests, wouldn't you consider dissolving the relationship?

Are you legally obligated to disclose all of the fees I will pay — including fees built into products I won't see on my balance sheet? Disclosures on purchasing forms are usually in small type buried several pages into an agreement. Know what you're buying and how much you are paying. For example: If you purchase a wrap account, such as a variety of mutual funds and other investments "wrapped" together, the account may be subject to an annual percentage fee.

Will you always provide the best investment at the lowest fees for my family? It's a yes-or-no question most investors don't ask. Commissions and fees are key motivators for a salesperson, and selling what's best for the client's bottom line may not be best for the broker's commission check.

Who do you work for? Is the financial advisor self-employed? Does s/he work for a firm? Are there financial obligations and quotas to be met on the firm's behalf? Generally brokers are held to a suitability standard rather than the fiduciary standard. Those held to the latter are legally obligated to offer recommendations in their clients' best interests only — even if they don't match the financial interests of the advisor. If two products are both "suitable," someone not bound to the fiduciary standard may promote the product paying the highest commission with the highest fees. In this case, the broker's first obligation isn't to the investor. While following a suitability standard instead of fiduciary standard may be within the scope of the law, wouldn't it be better to work with people who are unquestioningly working to serve your interests and not selling products to make moneyoff transactions? Affluent families have long bypassed brokers who don't work in their interests; they play by the set of rules that best suits them. Seeking out the circumstances most favorable to your affairs is your right. But it's up to you to separate what is truth and what is merely well-wrought fiction.

How long have you been with your current employer? While it's not uncommon to change jobs nowadays more frequently than in the past,if a financial advisor has had too many employers, it could be a red flag. The Financial Industry Regulatory Authority (FINRA) and the

U.S. Securities and Exchange Commission (SEC) have sections on their websites to assist investors who are performing due diligence on the financial professionals they engage.

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Steven Abernathy and Brian Luster counsel affluent families on multi-generational wealth management strategies. This includes: asset protection, wealth management, estate and tax planning, and Heritage Planning. They are regular contributors of articles and commentary to publications including Forbes.com, Barron's, The Wall Street Journal, and The Huffington Post

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