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Be choosy when choosing an advisor

The right decision can make a big difference

Choosing a financial advisor is as important as choosing investments for your portfolio. In either case, taking time to make the right decision can make a big difference in how well you do over the long term. There is much to consider.

Does the advisor meet your particular needs? This question is one of the most important. Many advisors specialize in different types of clients. Just as you wouldn't hire a top criminal lawyer to process a real estate transaction, you shouldn't select an advisor who isn't right for your present investment needs. Your portfolio demands will change as time passes, and you may later require an advisor with different skills, but you will make that decision then.

You should check the advisor's qualifications. Full details on advisors registered with the Investment Industry Regulatory Organization of Canada (IIROC) are provided, free of charge, through the IIROC AdvisorReport website. This service allows investors to research the background, qualifications, and any disciplinary information on advisors at IIROC-regulated firms.

To meet your long-term goals, an advisor must have the right experience and education. Would you prefer a Doctor whose knowledge hasn't advanced since university, or one who stays abreast of the latest medicines and techniques? It's the same in finance - a commitment to education matters. The financial industry requires advisors

to keep skills current through continuing education, but some strive to stay "ahead of the curve" by acquiring special designations and accreditations beyond regulated requirements.

The advisor should have the products and services that fit your financial profile. Some advisors are only qualified to offer one type of product, such as mutual funds. This may be sufficient for smaller portfolios, but investors with larger portfolios likely want a wider product range. And, the high-net-worth client will need services like integrated financial planning including tax and estate planning, retirement planning, and insurance. Whatever services you require, make sure the advisor can provide them.

When you contract any work you ask for the price, and it shouldn't be different with investing. Investors know they pay fees but too often don't give them sufficient thought. A 2009 survey conducted by JD Power and Associates found that 48% of investors are unaware of the fees they pay. Don't be in that group. Ask to have the fee structure clarified in detail and to have a written statement of the fees. The advisor should welcome the request.

Just as it's important to know how much you pay, you also want to know how the advisor will address your concerns. Part of an advisor's value proposition must be that they will pay attention to you, which includes responding to issues in a

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timely and meaningful fashion. The advisor should clearly outline a communication plan that includes the frequency and type of their contact with you, and how often you will meet for portfolio reviews.

When choosing a financial advisor it is best to meet with a few. Expect the interviews to be two-way because, just as you want to know about the

advisors, they need to learn about you. Have prepared questions and keep notes. The more you ask, the better you can assess the overall fit and find the right match.

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