

# 10 QUESTIONS TO ASK YOUR ADVISOR



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## WHAT SERVICES DO YOU PROVIDE, AND DO THEY INCLUDE FINANCIAL COACHING?

When you are looking for a financial advisor, the first step is to understand what services you need. Start by making a list of your financial goals. If you are not sure what you are looking for, then interviewing potential advisors will be a great way to learn about the various services provided. Most people speak to an advisor when they are investing retirement savings, but you may also find help with managing your day-to-day finances with financial coaching services. Other services that may be beneficial to you are tax planning, trust and estate planning, educational savings, insurance, and charitable giving. Most advisors have relationships with CPAs, attorneys, and insurance brokers, and can refer you to people that can help in those areas. Ideally, you'll find someone who can champion your efforts and address all of your financial needs.

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## WHAT'S YOUR INVESTMENT STRATEGY OR APPROACH?

When it comes to investing, you want an advisor who is knowledgeable, and who also has an approach in alignment with your own. Once you've shared your long-term and short-term goals, you can ask questions about what they would recommend with your portfolio, and why. This will help you understand their strategies and approach to managing risk, diversification, market changes, etc. You should discuss how comfortable you are with risk and whether you want to take a cautious or more aggressive approach. You want to be sure that your advisor will customize his or her approach to your own unique needs and risk tolerance.

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## WHAT CERTIFICATIONS DO YOU HOLD? (ARE YOU SERIES 7 LICENSED?)

There are several licenses and certifications in the financial services industry which can be confusing, so it's always good to ask your potential new advisor about their background. The financial industry has regulatory agencies such as SEC or Financial Industry Regulatory Authority (FINRA) designed to protect investors. FINRA has a professional designations database to help understand these designations. Seeking advisors with advanced certifications like the CFP® (Certified Financial Planner®) can let you know that your advisor has done the learning required to support the full range of your financial needs. Clients should pursue advisors who seek to grow their knowledge base with advanced certifications. This holds true for their staff, many of whom may hold certifications in other specialty areas.

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## HOW DO YOU MAKE MONEY?

Financial advisors can use different fee structures. The two primary methods are commission-based or fee-based. There can also be additional charges such as transaction fees and hourly rates, or a combination of approaches. Transparency in fees and charges is paramount. Your financial advisor should be open about how they're compensated — including whether they receive any commission or income from selling certain investment products.

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## HOW OFTEN AND IN WHAT WAYS DO YOU COMMUNICATE WITH YOUR CLIENTS?

Some investors choose to hand over their portfolio and not speak to their advisor again (which we do not recommend), others are actively involved in monitoring their investments on a daily basis. Knowing your preferred frequency of communication is important in determining if your financial advisor is going to be a match. The most common frequency is to set up an annual review, and in some cases a quarterly review. Meetings can be held in person, over the phone, or via video. You may also want to ask what the protocol is for when special situations or questions arise. Advisors serve different people in different ways. It's good to be aware of your preferences when you are making a choice.

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## HOW DO YOU MEASURE SUCCESS?

Setting benchmarks for your investment strategies is useful in predictable markets, however, investing involves some amount of risk as the nature of markets is not predictable. Once you have established your level of risk tolerance, you can use your annual check-in meeting to determine your progress toward your long-term goals. It's not uncommon to rebalance your portfolio as the markets change or significant changes or milestone events occur in life.

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## WHAT RESOURCES WILL I HAVE WHEN WORKING WITH YOU?

Many investors like to frequently track their progress or be able to easily do so when desired. Some financial advisors have subscriptions to online resources such as budget planning, and net worth tracking, that can help you assess your progress. Knowing how important this is to you and what tools are available to you can help you understand your advisor's commitment to both your progress but also current technology.

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## WHAT TYPE OF CLIENTS DO YOU SPECIALIZE IN SERVING? WHO IS YOUR TYPICAL CLIENT?

It's not uncommon for financial advisors to specialize in working with specific types of clients. Some work solely with business owners, others with millennials or young families — while others only do retirement planning. Choosing an advisor who works with clients in similar situations as your own means they will have the insights to help with your particular situation and will be equipped to offer advice and support tailored to you. Often advisors have staff that also possess these types of areas of focus, such as medical professionals, vineyard owners, and others. Finding out the depth and breadth of an advisor's team is also important to understand. This does not answer the question, really.

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## CAN YOU EXPLAIN A FINANCIAL CONCEPT TO ME? / CAN YOU REPEAT THAT IN ANOTHER WAY SO I CAN UNDERSTAND IT?

There's a lot of jargon that gets thrown around in the financial industry and it's not something that everyone will be an expert in and pick up on. You want an advisor who is there to educate you and help you understand the information that is being thrown your way. You want to find an advisor who communicates in a way that resonates with you and goes the extra mile to ensure that you fully comprehend the idea they're explaining. Just because you are successful or are striving to be so, doesn't mean you should understand it all — that's what your advisor is there to help you with. Therefore, feeling open and comfortable with your advisor is important.

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## ARE YOU A FIDUCIARY?

A fiduciary is a person or organization who acts in the best interest of their client. An advisor who is a fiduciary is not incentivized to sell you products where they receive commissions. You want an advisor who is putting your best interest first... always.

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