

<http://wheredoesallmymoneygo.com/reader-input-required-how-to-rate-an-advisor-and-an-off-topic-goodie/>

<http://en.tackfilm.se/?id=1272748818873RA30>

## **Reader Input Required – How to rate an advisor... and an off topic goodie**

May 4, 2010 by [Preet 2 Comments](#)

One of the things I like about writing this blog is that I learn a lot from the readers. I'm proud to say that many of the visitors here are quite sharp. To that end I'm calling on some help from you.

### **I'm Creating a Form to Help Investors Rate Advisors**

A few months ago I committed to myself that I would create a KYA form (Know Your Advisor form) which would be analogous to the KYC form that most advisors have to fill out (Know Your Client). In a nutshell, the KYC for advisors was supposed to ensure that client portfolios and transactions were in line with their risk tolerances and individual situations. Instead it has become the first line of defence for advisors dealing with disgruntled investors. If you signed off on the KYC, then you shouldn't be surprised with adverse performance in your portfolio... and this is what a firm will come back to you with. I'm told that the original intention of the KYC was to protect investors, but I can assure you that from all the training I received as an advisor the KYC was positioned as a tool to protect the advisor, not the investors.

[Here's an example of a KYC form.](#)



### **KYA (Know Your Advisor)**

So I decided to create a KYA form (Know Your Advisor). This would be a form that is designed for the investor so that they may better qualify an advisor before deciding to use their services. There are so many licensing bodies and compensation formats for financial advisors in the

industry that an investor would have no clue how to rate an advisor. If you could, you probably wouldn't need an advisor in the first place. It's a bit of a catch-22. So I decided that it's time that all changed.

### **This Is Where I Need Your Help**

While I know all the registration requirements, differences in designations, and some basic questions to have answered (i.e. compensation structures, do they know how options work, references, etc.), I want to make the form as complete as possible the first time around. So I'll contribute my industry expertise, but I want to hear from you to make sure I don't miss anything.

**I'd like for anyone who is interested to offer up a list of categories or questions or general areas that need to be addressed when trying to rate an advisor.**

If you only have one suggestion, that's great. If you have 20 suggestions, that's great too. The more the merrier. And please don't feel shy to offer up your suggestions. If you aren't sure it is applicable, trust me to be the judge of that and submit your suggestions anyways. It would be a great help.

### **Off Topic**

On a much lighter note, there is a great viral video that was released quite a while ago but is making the rounds again because it's just so good. I won't spoil the surprise, but just [click here and be patient because it takes a while to buffer the video](#). It's totally worth it though, and is completely work safe.

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NEXT POST: [Take My Quiz – Test Your Investor IQ](#)



#### **About Preet**

Preet Banerjee, B.Sc., FMA, DMS, FCSI is the W Network's Money Expert. He would LOVE to have you keep up to date with him: Follow him on [Twitter](#), subscribe to the [email updates](#), become a [Fan on Facebook](#) or add the [RSS feed](#) to your reader.

I like your initiative. As a financial advisor myself I have often considered doing the same. Here are my contributions:

1. How many times have you changed financial advisor in the last 10 or 20 years? This will highlight dissatisfaction points of the client. Also was this a referral; i.e.: why are you talking to me?
2. How many clients do you (the financial advisor) have? This indicates how much time a client will get - ask the same question of your doctor!
3. How often do you review the client's portfolio? (There are only 250 working days in a year - ties in with (2) above)
4. How do you stay up-to-date; i.e.: what do you do for continuing education?
5. How much time do you spend on continuing education?
6. How often do you contact a client (newsletter, calls, etc.).
7. What PRO-ACTIVE actions have you taken with your existing clients portfolio when the economy tanks, or shows great returns?
8. What are your expectations of a Financial Advisor? (this highlight the needs of the client - and usually his investment style/comfort level)
9. What is your comfort level with receiving portfolio statements? (i.e.: Monthly, quarterly, etc - indicates their level of involvement or investment "security")
10. How often do you like to meet with your advisor? Annually or more frequently?  
Finally: what are your expectations in terms of a satisfactory return?

With a new client I say (tongue in cheek) if your current financial advisor plays more golf than you do, change advisor: his handicap is more important than your portfolio. (I don't play golf)

In summary: I have less than 200 clients; send them 6 newsletters per year; review their portfolio monthly; take pro-active portfolio changes (few of my clients lost money in 2008); contact my clients regularly, depending on their needs or interests; each client's file is in a 3-ring binder, which facilitates document organization.

Based on the above, my referral rate is above 85%.

"Trusted Advice + Ongoing Service = It All Adds up" is my slogan.

I trust the above is helpful.

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## Showing 15 comments

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[MarkWolfinger](#) ★ 2 days ago

• That is a great video.

I'd want to know that my advisor is sophisticated and not just a salesman.

I'd ask what he knows about hedging with options.

I'd ask if he believes in the Prudent Man Rule (I don't, and need 'no' as the answer

I'd ask for a short list of satisfied clients as references

I'd ask for his opinion on market direction over both the short and long term and hope that he tells me that he/she lacks the ability to know



[Preet](#) ★1 day ago [in reply to MarkWolfinger](#)

- Thanks for the input Mark! I especially like the last one - I was planning on having something to that effect...



[marianneko](#) ★2 days ago

1 person liked this.

- I'd want to know how recently (choices: past month, year, 2 years, longer) the advisor had provided specific advice to a client in various areas, e.g. RRSP strategies, TFSA strategies, life insurance, disability insurance, wills & trusts, etc.



[Preet](#) ★1 day ago [in reply to marianneko](#)

- LOVE this. Thanks Marianne.



[Susan](#) ★1 day ago

- Great video! Had a good chuckle over the Swedish hero.

I am an ordinary investor, I don't short stocks or use options. After checking for the advisor's designation and whether he's a good "fit" for me (personality, philosophy etc) there is one other thing that is very important to me. I am very interested in how often and when my advisor contacts me and how available he is; for instance, he called (or emailed) when the market tanked in 2008 to reassure and answer questions, he called when a stock I held became very risky and he is readily available to me, replying to my emails or calls usually within the hour. The result is that over the years I've become much more interested and involved in my portfolio.



[Preet](#) ★1 day ago [in reply to Susan](#)

- Wait a sec - what was so funny about the video? I never said it was funny! :)

Thanks for the suggestions too. :)



[Sergei](#) ★1 day ago

- I would ask if adviser knows about index funds and what (s)he thinks about them. My last adviser, no, salesperson, didn't even know what they were.

I would definitely want some tax reduction advice, and ways to optimize RRSP, TFSA, RESP contributions.

Oh, and that was the lamest "viral" video ever :P



[Preet](#) ★1 day ago [in reply to Sergei](#)

- You were doing great until the last line... :P

But seriously, thanks for the great suggestion!



[weighhouseblog](#) ★ 1 day ago

2 people liked this.

- Investors looking to choose or change a financial advisor usually decide to go with the first prospective advisor they interview. After the first meeting, they are sold on the financial advisor's abilities, personality, and knowledge. There should be no surprise here; financial advisors have to be effective salespeople or they would soon go out of business. Naturally they are going to be skillful in addressing your concerns and making you feel comfortable about opening an investment account with them.

To give yourself a fighting chance of finding a financial advisor who will match your needs, you should interview at least three candidates. Look at each advisor's educational background. Is the prospective advisor qualified at only the minimum level, entitling him to sell only mutual funds? Does she have a financial planning designation, or a more advanced financial certification such as Certified Financial Planner (CRP), Canadian Investment Manager (CIM), Certified Financial Analyst (CFA), Chartered Life Underwriter (CLU), or Certified Investment Management Analyst (CIMA)? All things being equal, the more degrees and educational certificates, the better.

Examine the advisor's level of experience. Ideally, you want an advisor with at least 10 years of experience. It takes about that much time for advisors to learn from the mistakes they will make early in their careers. Only experience can train an advisor to keep a cool head in the midst of market turmoil, to resist the sales pressure during the weekly visits from mutual fund and hedge fund wholesalers, and to understand how highly touted packaged deals can backfire. Don't choose an advisor who's going to learn the ropes with your money. (I can say for certain that the advice I give my clients today is better than the advice I was able to give when I was new to the industry.)

Avoid choosing a financial advisor who is too successful to find time for you. This might mean a person who only handles accounts much larger than yours or one who already has over 500 clients.

Find out what size of accounts the advisor specializes in and how many clients she has. Keep away from someone who is so new she is desperate to start generating enough income to keep her job. Financial advisors sometimes are exposed to temptations to earn commissions in ways that may not be in the client's best interest. The desire to earn commissions may result in recommendations that benefit the advisor more than the client.

Education and experience are more important than the advisor's personality. You are not selecting an advisor to find a new friend. Rather, you want one who will manage your funds to earn the rate of return you need while taking no more risk than necessary.



[Preet](#) ★ 1 day ago [in reply to weighhouseblog](#)

- Thank you for the well thought out response WeighHouse. Say hi to Warren for me.



**SophieWilliams** ★1 day ago

1 person liked this.

- Ok... how'd you do that?!? Very cool and actually a very interesting underlying message too :) I don't really have any suggestions for you though. I'm just a beginner trying to learn - that's why I'm here...

One thing that I haven't seen yet in reading the many Canadian PF blogs, is what the different qualifications advisors hold are good for and what to look for when trying to find the right advisor for your needs. Maybe you could do a blog on that in the future?

Great site by the way! Love your writing style so much I went back to the beginning and am reading my way through... all the way to June 08 so far lol



**Preet** ★15 hours ago [in reply to SophieWilliams](#)

- Thanks Sophie - enjoy the reading! Hard to believe there are almost 800 posts on here...



**Jordan Clark** ★17 hours ago

- Personally for me, I want to see the advisor's own portfolio of investments. I want to know if they "eat their own dog food" so to speak. A good sales person can talk a good game, but I feel this is the only true test of honesty for an advisor, to put their money where their mouth is. If they are in debt or have no money to invest it's a clear sign to walk away.

If their investment strategy is good enough for themselves and their family I'd find their advice trustworthy. If they have other ideas for their own investments. I want to know why they'd suggest something different to me.

I'd also want to see their 5 year (minimum) history of performance, that their personal results are graphed against the results of an index fund strategy with the same level of risk.

I'd give them big bonus marks if they suggested DIY index investing as an alternative choice and give the honest pros and cons against this strategy.



**Before You Invest** ★2 hours ago

- Great idea!  
I work with the NS Securities Commission, in outreach and investor education. We encourage investors to look at advisers as their employees - you are paying them after all. They work for you, not the other way around. We (working with the Canadian Securities Administrators) have put together a brochure, "Working with a Financial Adviser" which outlines our advice on the topic, but I will briefly share some of our suggested questions:

- What is your education and professional experience?
- How long has your firm been in business?
- How long have you been with the firm?
- Are you and your firm registered with a securities regulator?
- What products and services do you offer?
- How will you help me reach my goals?

- How are you paid for your services (salary, commission or flat fee)?
- Can you give me references from clients who are like me?

Not sure if you allow links with ing comments, but if you do, the rest of the brochure can be found here: [http://www.gov.ns.ca/nssc/docs/adviserJuly\\_16\\_2...](http://www.gov.ns.ca/nssc/docs/adviserJuly_16_2...)



**dickmhaas** ★0 minutes ago

- I like your initiative. As a financial advisor myself I have often considered doing the same. Here are my contributions:

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This indicates how much time a client will get - ask the same question of your doctor!
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