7 Mistakes That Can Cost You Big When Hiring a Financial Advisor

Avoiding these common mistakes can help ensure you don't entrust the wrong person with your money.

Chladek
Wealth Management

Mistake #1:

Confusing Fee-Based Advisors with Fee-Only Financial Advisors

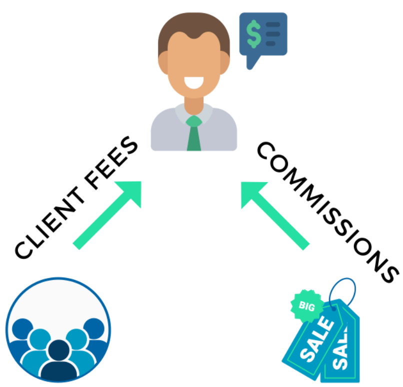
A fee-based financial advisor is NOT the same as a fee-only financial advisor.

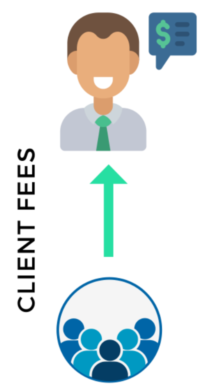
A fee-based advisor may receive commissions for selling certain products, which creates a major conflict of interest.

On the other hand, a fee-only advisor is only paid for their advice. Generally, fee-only advisors receive a percentage of client assets under management, aligning their best interests with the best interests of their clients.

FEE-BASED VS. FEE-ONLY

FEE-BASED	FEE-ONLY
Compensation may come from clients as well as commissions from selling certain products and other sources.	Compensated only by clients for their services and cannot receive compensation from any other source.





Questions to Ask to Avoid This Mistake:

- Do you get paid by anyone other than your clients?
- Do you have any potential conflicts of interest when investing my money?
- What will be my total investment expense? How will you be compensated for my investments?

Mistake #2:

Hiring an Advisor Who Doesn't Always Act In Your Best Interest

Not all financial advisors are held to the same standard when it comes to recommending investments and other financial planning solutions for their clients.

A fiduciary financial advisor is legally and ethically bound to act in their clients' best interest 100% of the time.

Meanwhile, registered representatives like brokers and dealers can sell products so long as they are "suitable" for their clients.

Look for keywords like:

Fiduciary Standard

CERTIFIED FINANCIAL PLANNER™ or CFP®

Registered Investment Advisor (RIA)

Look for keywords like:

Suitability Standard

Broker-Dealer

Robo-Advisor

Questions to Ask to Avoid This Mistake:

- Do you act in your clients' best interest 100% of the time?
- Are you a CERTIFIED FINANCIAL PLANNER™ (CFP®)?
- Are you a registered investment advisor?

Mistake #3:

Assuming All Financial Advisors Are Qualified to Manage Money

Don't assume every financial advisor you interview has the educational background or training to advise you on complex financial planning decisions.

The truth is you don't even need a college degree to become a financial advisor. You only need a brokerage firm to sponsor you so you can take and pass basic securities exams like the Series 7, Series 65, or Series 66.

One way to filter out unqualified financial advisors is to look for a CERTIFIED FINANCIAL PLANNER™ (CFP®). Widely considered the gold standard in financial planning, CFP® professionals must meet rigorous education, training, and ethical standards. In addition, all CFP® professionals make a commitment to the CFP Board to act as a fiduciary when providing financial advice.

To find a CFP® professional in your area, visit **letsmakeaplan.org.**

Questions to Ask to Avoid This Mistake:

- What is your educational background, and which industry credentials do you hold?
- Do you have experience advising clients on complex financial matters, like tax and estate planning?
- How do you stay current on relevant information and best practices in financial planning and investment management?

Mistake #4:

Choosing a Financial Advisor Based on Name Recognition Alone

With over 250,000 financial advisors in the United States alone, it can be tempting to gravitate towards an advisory firm with national name recognition.

Unfortunately, these tend to be large firms with many employees and even more clients. That means you may not get the care and attention you need and deserve to achieve your financial planning goals. In fact, you may never hear from your financial advisor unless you contact them first.

Instead, look for a financial advisor who prioritizes communication and limits the number of client relationships they're willing to take on. This will help ensure you're not just a number to them; rather, they have a complete understanding of your financial circumstances and objectives, so they can proactively make recommendations when appropriate.

At Chladek Wealth Management, for example, we typically meet with our clients twice annually. Between meetings, we're in frequent communication via email, updating our clients on timely financial planning topics as well as any legal, tax, or investment changes that may affect them. In addition, clients are always welcome to call, text, or email us with any questions or concerns.

Questions to Ask to Avoid This Mistake:

- How many client relationships do you have? What are your criteria for taking on new clients?
- If I become a client of your firm, how often will we meet? How often will I hear from you throughout the year?
- When I call, will I get you on the phone or your assistant? How long does it typically take for you to answer calls/texts/emails?

Mistake #5:

Hiring a Financial Advisor Who Doesn't Focus on Financial Planning

Many people initially hire a financial advisor to help them invest their money. But as your net worth increases, you need a financial partner who can advise you on a variety of complex financial planning topics and decisions.

If a financial advisor focuses solely on investments and/or makes investment recommendations before understanding your complete financial picture and objectives, he or she may not have your best interests at heart.

Instead, look for an advisor who will help you develop a comprehensive financial plan that addresses the following points:

- Financial goal-setting and prioritization
- Cash flow analysis and budgeting
- Retirement planning
- Investment management
- Risk management
- Tax and estate planning

Questions to Ask to Avoid This Mistake:

- Will you create a financial plan for me before making investment recommendations?
- What services do you provide beyond investment management?
- What should I expect as a new client? Can you describe your client onboarding process?

Mistake #6:

Not Coordinating with Your CPA and/or Estate Planning Attorney

If your financial advisor makes recommendations in a vacuum, you may not be getting the best advice. This is especially true if you work with other experts, such as a CPA and/or estate planning attorney.

Failing to coordinate your investment strategy with your tax and estate plans can result in unnecessary tax consequences and other potentially costly mistakes. Thus, your financial advisor should be aware of your other advisors and be willing to work with them to ensure your investment, tax, and estate plans are in alignment.

Questions to Ask to Avoid This Mistake:

- ✔ Do you coordinate with your clients' other advisors, and if so, how?
- ✔ Do you have any strategic partnerships with CPAs and/or estate planning attorneys, or can you recommend experts in these fields?
- ✔ How do you help your clients proactively minimize their lifetime tax burden?

Mistake #7:

Not Contacting Chladek Wealth Management

Fluctuations in the stock market or interest rates are very hard to predict for any financial professional. Beware of financial advisors who are active stock traders and/or claim to "beat the market."

At Chladek Wealth Management, we prefer to focus on the financial choices that are within your control. If your goal is to lower your taxes, invest smarter, and find a partner who will help you make wiser financial decisions, contact us today and let us help you develop a holistic financial plan to secure your financial future.