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Choose your advisor wisely

Due diligence should be applied in selection process

Among the most important things in life are health and finances, as both have a huge impact on long-term plans and are ultimately determinants of happiness. And, just as care is taken in finding the right family doctor, similar diligence should be applied in selecting a financial advisor.

Investors are often confused when it comes to picking someone to look after their finances. They are baffled by the job titles and designations; the financial jargon; and the various money management techniques. Their bewilderment is understandable.

A good starting point is to check regulatory records. This can be done free of charge with the Investment Industry Regulatory Organization of Canada (IIROC) through its AdvisorReport website. This service will confirm whether the person is a properly qualified and registered professional at an IIROC-regulated firm. It tells you about the advisor's background and provides information on any disciplinary issues.

Dig deeply into qualifications. Does the advisor have the right combination of education and experience to satisfy your particular needs? The financial industry requires that advisors keep their skills current though continuing education, but it's a good idea to search for someone who makes it a priority. Opt for an advisor who strives to stay ahead of the curve by acquiring special designations and accreditations beyond regulatory requirements.

Taking a look at the advisor's current client base will help determine whether there is a fit. You wouldn't visit a podiatrist if you had a toothache, and neither should you choose an advisor whose services don't match your needs. Look for an advisor whose clients have similar backgrounds and goals. Someone who caters primarily to retirees is not likely a suitable choice for a young entrepreneur. There needs to be some continuity.

References can be helpful. Talk to some of the advisor's current clients and don't be shy about asking questions. Do these clients understand their investments? How are their problems addressed? Were they provided with a clear and defined investment plan? What is the advisor's performance history over bull and bear markets?

Get a clear understanding of the advisor's investment process. You want to know and understand how your money will be invested and in what products. The advisor should be able to explain how they manage money through the full market cycle, and they should be prepared to communicate their strategy regularly.

Finally, ask about the cost. Surveys have shown that many investors are unaware of the fees they pay. As the number of investment products on the market has increased so too have the types of fees,

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with differences between fixed income, equities, alternative investments, mutual funds, and managed products. Insist on having the entire fee structure clarified in detail and put into writing. When you contract for any kind of work you ask for a price, and it shouldn't be different with investing.

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