

How to Hire a Competent Financial Advisor (Fiduciary Perspective)

1. Often I am appointed to a trust with an advisor already attached. Check the advisor out. What agency oversees their business? Go to FINRA or the SEC websites to see if there are any complaints. What professional designations do they have?
2. Will the advisor allow fiduciary to delegate investment management to advisor under probate code §16052?
3. Does the advisor work with trustees and understand the difference between investing for all types of trusts versus individuals for retirement?
4. Is the advisor versed in the Uniform Prudent Investor Act?
5. Does the advisor understand investment rules that govern court overseen SNTs?
6. Will the advisor provide me with a tailored investment statement policy which includes information about the beneficiary (ies), income needs, administration costs etc?
7. Does the advisor have access to other people who work with fiduciaries and can answer other trust related financial questions?
8. Does the advisor have a good understanding of tax issues that might affect the trust and/or its beneficiary?
9. How does the advisor charge? What internal fees are hidden within the investment vehicles they use? Will the fee be tax deductible?
10. Not every trust fits every advisor. Example: I have a trust where 100% of administrative fees are taken out of the income for the current income beneficiary. If I used an advisor with a 1% to 1.5% annual fee it would drastically change his income.
11. Does the advisor have my best interests at heart? Do they return calls promptly? Do they have a good support staff?
12. Who is the custodian of the account? Can I download activity into Quicken?
13. Can I get a good analysis of what budget needs to be set to achieve goals?

Questions for Interviewing Financial Advisors

1. Please tell us about your education and credentials.
2. Tell us about your experience in serving Fiduciary & Trust Clients. How many years have you served this market?
3. How many client accounts do you have which are controlled by third party or professional trustees?
4. What is your total Assets Under Management? What is your Assets Under Management related to specialized trust/fiduciary clients? What percentage does that represent of your total client base?
5. What is the total number of clients that you serve related to specialized trust/fiduciary clients? What percentage does that represent of your total client base?
6. What specialized training or certification(s) do you hold related to this investment specialty? Have you produced any publications, presentations or training seminars related to this market?
7. What experience do you have in court supervised cases? What does this represent of your total AUM and number of clients?
8. What experience do you have with client court accountings? How does your investment program serve to minimize transactions and costs related to client court accountings? What systems do you have to provide access to client data for court accountings?
9. What type of account and under what fiduciary relationship would you establish for our clients? Are you a Registered Investment Advisor or RIA Representative? Please attach a copy of the proposed contract and terms.
10. How does your typical investment program comply with the California laws relate to fiduciary and trust prudence?
11. Do you routinely prepare Investment Policy Statements for each of your clients? How are they prepared and what planning/budgeting methods do you use to determine the IPS?
12. Please explain your investment management process. What drives your Asset Allocation decision? Who/What directs the investment decisions and who alters, monitors and rebalances the portfolio(s)?

13. How often do you meet with your clients to review performance and any changes that might be appropriate to the IPS? How are they scheduled and executed? Please include a sample report.
14. What is a typical make up of a client's account assets? Do you use Mutual Funds, Insurance, Annuities, Separately Managed Accounts? Individual Stocks, Bonds, Unit Investment Trusts, REITS? Junk Bonds, Alternative Investments, Managed Futures? Proprietary Products, Proprietary Notes, et al.?
15. What research directs your investment decision process? What source(s) is it from? Please provide an example of historical investment performance for your portfolio model(s).
16. Please tell us how you are paid. How do you earn a living? What is your fee schedule? Are there any hidden internal fees related to mutual funds or other products? What is the cost to exit your program?
17. Do you have open architecture for various investment products? Do you receive disparate compensation for any particular products? What restrictions preclude you from any particular product area, type or vendor?
18. Who/What institution stands behind you and what is their financial strength? What insurance covers you and to what limits?
19. Explain your firm's supervision and oversight process. Explain your firm's Legal and Compliance review process and supervision methods.