

SUREFIRE TIPS TO CHECK YOUR FINANCIAL ADVISOR'S CREDENTIALS

When faced with a monetary problem, you often tend to turn to financial advisors for help. There is a belief that professional advice will provide the required solution and help you keep your financial plan afloat. But while the solution might seem easy, it is important to ensure that it is the best one for you. More than the advice, it is critical to be sure that it is coming from the right source. To ensure your financial advisor is the best suited for you, it is vital to check their credentials.

Here are some surefire tips to determine the suitability of your financial advisor:



1. ASSESS REGISTRATIONS AND REGULATORS

Even though there are many regulatory bodies for financial advisory firms, certain authorizations are more respected than others. You should determine which authority the advisor is registered with and governed by. Ideally, most financial professionals are registered with FINRA (Financial Industry Regulatory Authority) or the SEC (Securities and Exchange Commission). In case, the regulatory power resides with FINRA, the consultants must have a securities license along with other permits. You can visit FINRA's official website to authenticate the person concerned. All financial professionals or brokers should be regulated by FINRA. Alternatively, if the advisors are regulated by SEC, the same can be searched on its website. In many cases, the advisor could be listed on both agencies – FINRA and SEC. This makes their credentials even stronger.





2. VERIFY PROFESSIONAL LICENSES

A good financial advisor must qualify and possess the General Securities Representative license, also called the Series 7. This license is a confirmation that the person has a basic knowledge of investments and markets. It implies that the financial advisor understands market regulations and is qualified to provide an opinion. Financial experts should also have the Series 63 license (Uniform Securities Agent State license), which permits them to conduct business across different states. For other add-on products, such as insurance, a special license is required. Another important accreditation needed is the Series 65 (Uniform Investment Advisor Law exam), which allows them to charge a fee for the services rendered. These three authorizations are the most desirable in a professional. You must check the applicable permits in advance before you hire an advisor for any of these services.



3. DETERMINE DESIGNATIONS AND CERTIFICATIONS

Hiring the perfect investment advisor is a daunting task. You trust this individual with your money, life savings, and precious assets. That is why the selection must be based on the person's expertise and experience. The first step in this regard is to know the designation of the expert and understand what it means. Today, the word advisor is used so liberally that you could end up entrusting an incapable person, and jeopardize your financial plan.

Ideally, you should check for individuals who are CFP (Certified Financial Planner) designated. A CFP authorized financial professional has the necessary education, experience, and ethics required for the job. Alternatively, PFS (Personal Financial Specialist) is another authorization you can trust. The title is only awarded to CPA (Certified Professional Accounts) and is ideal for people who have advance tax-planning needs. For retirement assistance, you can check for an advisor who has an RMA (Retirement Management Advisor), RICP (Retirement Income Certified Professional) or CRC (Certified Retirement Counselor) certification.



4. ENGAGE A FIDUCIARY

If you want a lawful confirmation that the hired investment advisor will offer you the best suggestions possible, then always opt for a fiduciary. This would imply that the person you engage with has lawfully pledged to act in your best interest at all times. In other cases, the person handling your money is not under the pledge. Hence, you might be dealing with a sustainability standard. As per this standard, the person will offer you a suitable counsel but not necessarily the best or ideal one, based on your interest. For people hiring an expert, engaging with a professional who is an RIA (Registered Investment Adviser) or who works for one can be a great choice. These people have a fiduciary duty bestowed by the Investment Advisers Act, 1940, to act in the best interest of their clients. They also always place their client's aim before themselves.



5. CONDUCT A BACKGROUND CHECK

Apart from all other factors, it is very important to conduct a deep assessment of the background of the financial advisor. The educational qualifications, valid credentials, legal contracts, etc. must be verified before finalizing the deal. You must also check for two extremely critical facts – any criminal convictions or if the person has been under investigation by any regulatory or legal authority. Moreover, know if there are any inquiries set up by an investment-industry group against the person concerned.

A background check on the credentials must also be done beforehand. This will help you be certain of all the professional designations, qualifications, and certifications the person claims to have. Check the validity and legitimacy of each certification and also verify the discipline history, conflicts of interest, etc. For checking all disciplinary records issued in 2005 or later, you can check the FINRA Disciplinary Actions Online database. A lot of state regulators also maintain a discipline record. For specific insights into insurance agents, you can check the database maintained by the National Association of Insurance Commissioners.



6. KNOW THE PAY STRUCTURE

Even though you are not directly connected with the pay structure of the financial advisor, it can hugely influence your monetary status. Typically, the professionals in this field charge commission from the clients or offer their

services at an hourly or flat rate. A commission is paid every time the client executes a transaction (buys or sells an investment). It is important to know the pay structure of the advisor to be sure that you are being given unbiased professional suggestions and not being steered in any direction for the ulterior motives of the financial advisors. You should try to avoid commission-based pay since that will hold a risk of favoritism. Also, flat-rate professionals are not the best choice since they might offer advice that helps them increase their annual fee. For individuals with limited assets and non-complex plans, an hourly rate is the best suited.



7. BEWARE OF OVERSTATING ADVISORS

When evaluating the credentials of financial planners, you must assess their ability to understand the client and then devise solutions. A person who makes flamboyant claims about increasing your portfolio's worth and promises to beat market movements, is not the ideal candidate for you. You want to entrust your hard-earned money into the hands of the person who is concerned about your financial goals, risk-capacity, time horizon, liabilities, etc., and provides sound advice across all financial concerns. Market beating claims might sound promising but involve a huge risk too, which could leave you with considerable losses if the market sinks.

Summary

The role of a financial advisor stretches beyond just executing transactions on your behalf. They are a partner in your monetary journey, who help you achieve your desired financial goals. They lay the foundations of your adequately-funded future and hence, their selection must be made with utmost caution and prudence.

For authorized, legal, and authentic advice, you can contact experienced financial advisors.

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