

SELECTING A FINANCIAL PROFESSIONAL

Selecting a financial professional is one of the most important financial decisions you can make. We encourage you to follow the five Ps in selecting someone to help you with your personal investment goals.

Preparation

As with most important decisions in life, preparation is the key to your success in choosing a financial professional. Be sure to research investor publications for information on choosing the right investment goals for your lifestyle. Before interviewing professionals, develop specific questions related to those goals.

Know your own personal style. Are you looking for a partner in managing your investments, or are you willing to provide the financial professional with control? Do you have any social or political beliefs that will need to be considered in establishing your goals and selecting a professional to work with? Ask for referrals from friends who have been successful in achieving their investment goals. But, remember, you are selecting a financial professional not only on how well he or she selects stocks, but also on how well he or she administers accounts.

Research the background of your financial professional before you make your final selection. Ask for complaint history as well as success stories. Other questions to consider include employment history, educational background, and professional affiliations. Determine the significance of professional designations this person may hold.

Professionalism

Your financial professional will have access to the most personal details of your finances, so trust is important. Most financial professionals will have an introductory meeting with you at no cost. Such meetings provide you with the opportunity to decide how comfortable you will be with this person, both personally and professionally.



Determine whether your account will be a priority to the financial professional. Is the amount of money you intend to place under his or her management comparable with other clients? What is the income base of other clients? Is it comparable with yours? Will your financial professional be accessible for questions or meetings, or will such functions be assigned to another staff person? If so, ask to interview anyone who can influence the decisions made on your account.

Will you be comfortable with a financial professional's personal style? Is he or she a salesperson or an advisor? Which type is best for your personal investment goals? The use of buzzwords may be a sign of a good marketer, but not necessarily of a good investment manager. Don't be intimidated. Ask for an explanation of terms you don't understand. Will you be informed if the financial professional has any financial interest in the investment products he or she recommends? Will you be informed if he or she becomes the subject of an ethical or a regulatory investigation after he or she is hired?

Philosophy

Asking questions about a financial professional's investment philosophy is one of the most important steps in choosing someone who can help you pursue your personal investment goals. Is the professional conservative or aggressive with regard to his or her investment philosophy? Ask to review records to verify his or her answer. If he or she works for an investment



firm, request information on the firm's philosophy as well. Investors often consider social or political issues in the selection of investment products. Will the financial professional and, if applicable, his or her firm be able to respond to your views?

The size of an investment organization is not necessarily an indication of the financial professional's ability to help you achieve your personal investment goals. Determine the person's seniority in the firm. Understand how corporate or management changes can influence his or her investment philosophy. What are his or her (or the firm's) views with regard to communicating with clients? Ask to see copies of account reporting formats and procedures. How often will you receive reports on your account? Will you be able to understand reports? Does the financial professional—or his or her firm—support the SEC's recent initiatives concerning plain English?

Performance

Analyzing performance results is another important aspect of selecting a financial professional.

Be aware, however, that there are many considerations in determining overall performance, including the investment instruments utilized and account and market activity. Compare the professional's performance with leading benchmarks, such as Standard & Poor's 500. How is the financial professional paid for his or her performance?

Determine whether the financial professional's performance data includes the impact of fees charged to clients, and whether he or she receives compensation from anyone other than clients.

Professional Designations

Financial professionals may hold one or more designations that represent their competence in specific areas of their profession. For example, some analysts hold the prestigious Chartered Financial Analyst (CFA) designation. Ask for information on how such designations are administered, including any educational, ethical, or work experience requirements that must be met in order to be awarded and to hold the designation. Compare the areas of competence represented by the designation to the skills you are searching for in a financial professional.

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