

Questions you should ask a Financial Advisor

As our financial advisor, how do you get paid?

This answer can vary from advisor to advisor; however, there are three general ways financial advisors get paid.

- **Commissions:** Advisors and Insurance Agents who sell a product to you get paid a commission by the company they represent. In the investment world, these tend to be front-loaded mutual funds, insurance products, or annuities.
- **Fee-Based:** An advisor can have and be both a commission and a Fee-Only individual. They may sell you a life insurance product and then also manage your investments for an Asset Under Management fee
- **Fee-Only:** Advisors charge a fee directly to you or your account. The fees are typically in the form of a retainer/subscription fee, a disclosed planning fee, or an Assets Under Management fee.

At MJT & Associates, we are Fee-Only and charge either a planning fee, a planning fee and an AUM fee, or just an AUM fee. In my opinion and knowledge, all three models can and do work with excellent advisors and a few bad ones in each model. I believe the key isn't how an advisor charges but, as a client, ensuring you understand how your advisor is getting paid and whether it fits your needs and situation. Knowledge provides clarity.

What is the “total cost” of your advisor-client platform?

This is one of my most asked questions; it should be a top one for you. If I charge an asset under management fee of 1%, and Frank down the street only charges 0.75%, whose investment fee is more? Almost every person answered mine because 1.0% is more than 0.75%. But that's not the only cost of investing. Your **Total Investment Fee** is the **advisor's fee + sponsor fee + investment/portfolio fee**. If my portfolio fee is 0.35% and my advisor fee is 1%, my total investment fee is 1.35%. If Frank's portfolio fee is 0.80%, Frank's total investment fee is 1.55%—details and digging beyond the surface matter.

Are you a Fiduciary, and what does that mean to you?

When I entered this industry in 2000, my manager told me a few things that still stick with me today. One of them is that if you treat everyone as you would your loving grandmother, you will be fine. A **fiduciary** is defined as an individual who is ethically bound to act in another person's best interest. **Am I one – Yes.** Do I think the word and meaning have become saturated in today's world – a little. I didn't need a rule to be a fiduciary to my clients – I had been using the grandma rule.

Independent

Fee-Only

Fiduciary

What is your communication policy- i.e., when do you return calls or emails?

Ask your financial advisor what their typical communication schedule is. Do they have annual meetings, semi-annual meetings, or quarterly? Do they send out communication and newsletters on a monthly or quarterly basis? How fast do they try to return emails or phone calls? Our goal is to meet or talk with our clients at a minimum on an annual basis. We scheduled our meetings and time frames based on our client's needs and preferences. We send out systematic and timely emails to remind our clients of events and timeframes or comment on a recent market, economic, or other event that may impact your financial plan. Our goal is to return all emails and phone calls within 48 hours.

Do you have any credentials? If so, what are they, and what do they mean?

Credentials are great, as they show an advisor has taken a stake in continuing their education, but those with many may not be the best “practicing” advisors, while those with none may be the best advisors in the world. Here are my credentials

- **Certified Financial Planner** professional (CFP®) focuses on holistic planning and providing clients with financial planning advice and helping them make informed decisions
- **Certified Divorce Financial Analyst** professional (CDFA®) is to assist the client and his/her lawyer in understanding how the financial decisions he/she makes today will impact the client's financial future during a divorce.
- **Chartered Special Needs Consultant** professional (ChSNC®) signifies expertise in financial planning for special needs individuals, their families, and caregivers.
- **Accredited Estate Planner** professional (AEP®) is an individual who specializes in estate planning services on a collaboration approach.

How do I “check on” and look up an advisor for any past issues?

Things happen in life, even to advisors, but you may want to proceed with caution if there is a pattern. You can look advisors up in a couple of ways. [FINRA’s Broker Check](#) is a way to look up advisors with a broker-dealer, while [Check Out Your INVESTMENT PROFESSIONAL](#) can look up Investment Advisors and Registered Investment Advisors firms. Here is the [MJT & Associates link](#), and all advisors should have a way to access their information on their websites.

If you were managing my portfolio and I retired into a bear market, what about your financial planning and investment planning would ensure that I didn't run out of money in retirement?

We think of planning in many ways – a triangle, your best plan where the math and physics meet your goals and values, a four-layer cake where we constantly review your portfolio's risk-adjusted growth, supplemental income needs, tax planning, and wealth transfer wishes. We also believe the best investment for your resource is to match the goal of that resource with an appropriate investment by answering when we need it, how much we need from it, and how long we need it. We use a Bucket Theory for your investments, looking at what you need in the next 2 years, what you need in 2-5 years, and what can be left in the 5+ year bucket. We allocate and rebalance to your changing needs and transitions as we meet and talk throughout our review and financial planning process.

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