

Best questions to ask a wealth manager

DOES YOUR WEALTH MANAGER MEASURE UP
TO YOUR FINANCIAL GOALS?



CFA Institute
LET'S MEASURE UP™

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One of the first steps to choosing the right manager for your wealth is knowing the right questions to ask. And knowing the right answers to see if they measure up to your financial goals.

BACKGROUND INFORMATION

› **How long have you worked with high-net-worth individuals, and in what capacities?**

Although private wealth advisers often find working with high-net-worth investors to be satisfying, other career paths can offer insights about the technical knowledge required for client success.

› **What training did you undertake to prepare for this role?**

Some larger firms offer specialized training courses, while practitioners elsewhere may enroll in classes or degree programs to prepare themselves.

› **Have you earned any relevant professional credentials?**

There are many, many professional designations that private wealth advisers can attain. Inquire about the breadth of curriculum, hours of preparation required, and pass rates to determine how substantive each program might be.

› **Have you ever been subject to any allegations of misconduct or disciplinary actions from a regulatory body?**

Details about disciplinary actions may be available on regulator websites, but advisers should also discuss allegations with you that did not result in disciplinary actions. Refer to the SEC's guide <https://www.sec.gov/reportspubs/investor-publications/investor-brokershtm.html> for more information.

› **How do you stay abreast of current industry trends, regulations, and innovations?
What are some of the best sources of your continuing education?**

Consider how your adviser stays up to date and whether their answer reflects their commitment to staying current in a dynamic profession and industry. Professional associations may be a good source of useful, ongoing information for your adviser.

PROFILE

- › **Of the many dimensions of a wealth management offering (e.g. investment management, financial planning, behavioral coaching, financial concierge, family dynamics coaching) which do you think are your particular strengths and/or areas of emphasis? How do you work with external advisers?**

It is unlikely that any single professional can be an expert in all aspects of wealth management. Consider how your adviser addresses the dimensions of wealth management outside of their core expertise, as well as how they could work with any other existing advisers you currently have and like.

- › **Considering the range of wealth management firms, why have you chosen to affiliate with your firm? What are the advantages and disadvantages of this firm's business model?**

Be alert and understand how your relationship generates revenue for your adviser, including any revenue over and above an advisory fee you may pay. This could include incentive compensation from the adviser's employer, referral fees, commissions or other payments from product providers, etc.

- › **Describe any conflicts of interest that could exist between us, and how you would propose to address or manage them. Would you certify that you are acting as a fiduciary on my behalf at all times?**

While some business models may not permit an adviser to act as a fiduciary on your behalf (that is, someone who always puts your best interests ahead of any others, including their own or their employer's), you should note how conflicts of interest are managed and mitigated.

- › **Who has physical control of my assets under your management? Describe any audit procedures relevant to that custody. If I were to terminate our relationship, could I transfer my assets, or would I need to liquidate them?**

Best practice is for custody of your assets to be separate from your adviser and include regular reporting from a third party as to the status of your assets. This could prevent your adviser from misleading you about the status of your account through fictitious account statements. It is advantageous for you to be able to transfer assets-in-kind to a new adviser rather than having to liquidate to cash (which can incur transaction costs and likely has tax implications).

- › **How is my digital information protected? Have you suffered any data compromises in the last 5 years, and if so, how were those situations resolved?**

As with all businesses involved with highly confidential and personal information, your adviser should have protection of your data as a high priority and be able to discuss the procedures and processes in place to guard against compromise.

CLIENT EXPERIENCE

› **Of your clients that are similar to me, how often do you interact with them and in what way?**

Consider if the level of interaction is appropriate to the complexity of your needs, the stage of your relationship with the adviser early in the relationship you may require more interaction to address foundational planning issues), and your own schedule and comfort level. Some advisers may align their fee schedules with the level of interaction mutually agreed to.

› **Ongoing, how would I receive updates on our relationship?
Would I have digital access at my convenience to information about my relationship?**

Consider whether you are comfortable with regularly scheduled updates or if you prefer more ad hoc contact as markets fluctuate or other issues arise. Determine if you are comfortable with the access you have to your account information, including potential digital access in between regular reporting periods, and the ability to integrate your account information into other systems you may use.

› **What routine reports would I receive and how often? Who prepares these reports?
Is customization of the reports to suit my preferences available?**

It is unlikely you'll be able to anticipate all of the reporting you'll need or want at the onset of your relationship, so understand the potential for customizing reports in the future.

› **Do your clients interact with each other, and if so, in what formats or venues?**

You may find it useful to network with other clients of your adviser, and some advisers arrange these interactions as part of their service.

INVESTING PHILOSOPHY AND APPROACH

› **What do you think your specific added value is, and how would I recognize that in our relationship?**

Your adviser's answers should align well with your needs and be realistic and appropriate. Beware of unrealistic claims of potential performance or discussion of services that you don't expect to be of interest to you.

› **Is management of my wealth more about "winning" or "not losing?"
How is that reflected in what you do for me?**

The most appropriate answer in many cases will involve some elements of both winning and not losing, but pay attention to how your adviser describes their philosophy and the tactics that reflect their approach. Consider how your appetite for risk fits with your adviser's approach being sure to remember that returns without risk are unrealistic.

› **What is your approach to investment management? Do you prefer a particular investing style?
Do you prefer particular investment vehicles?**

Your adviser should be able to explain why they choose to execute their investment strategy in the way they do, and will often reflect priorities for diversification, expense control, tax management, or liquidity. Consider how your adviser has regarded more recent innovations in the marketplace to assure yourself that they bring fresh perspective to their strategy.

› **What is your approach to financial planning? Will you create a financial plan for me? How often is it updated?**

Some advisers will involve themselves in the creation of a financial plan, while others will have specialized resources in their firm address your financial planning needs, and still others will outsource your financial planning. Depending on your situation, you may prefer that your adviser is involved in the creation of a financial plan. Determine what fees, if any, are assessed for financial planning.

› **How do you integrate tax planning and strategies for my account? Does your team have tax expertise that is available to me, or do you prefer to work directly with my own tax advisor?**

Most clients will need specialized tax advice which will need to be reflected in financial and investment strategies. If you already work effectively with a tax adviser, be sure to understand how your adviser can work directly with them on your behalf, as well as any additional resources your adviser may be able to offer.

› **Are you able to assist me with any of the following: Philanthropic strategy, family dynamics, closely-held business exits, estate planning? and if so, what is your preferred approach?**

Some advisers may be able to contribute directly to a variety of challenges and issues relevant to your financial life, while others may refer you to other specialists. Consider how important some of these dimensions may be to your ongoing relationship and whether there are advantages to working directly with your adviser on them.

FEES AND EXPENSES

› **Describe your proposed fee schedule. How does your fee schedule align with achieving my goals?**

Many advisers will assess a fee based on the market value of assets they manage on your behalf, which aligns with your interests to the extent that successfully growing assets within agreed upon risk parameters is to your benefit. Discuss with your adviser how such fee arrangements might affect their advice that would cause the level of assets under management to decline (for example, to buy investment real estate) as well as how growth in assets would affect the marginal cost of their advising services.

› **Are alternative fee arrangements available?**

Some advisers say offer different fee structures, including flat fees, a retainer fee and hourly charges, or some hybrid of assets under management and other fees. Depending on how you prefer to work with your adviser, these alternative structures may or may not be advantageous to you.

› **What other expenses would I expect to incur as part of our relationship?**

To properly understand the cost of advice and make your adviser's fees easily comparable to others, consider any additional fees that may apply including fees for financial planning, financial concierge services, custody, or other expenses.

CFA® CHARTERHOLDERS, honed by years of study and training, have the depth and breadth of financial knowledge to help unlock opportunities other advisers might not see. Does your wealth manager **measure up?**