

Why it's tough to pick a financial advisor — and how to do it right

By [Tobias Salinger](#) April 18, 2022, 8:28 p.m. EDT 10 Min Read

As a Colombian-American financial advisor, Catalina Franco-Cicero sees why selecting a planner is often “a puzzle” for many immigrants who have come to her practice, she said.

“Deciphering that for them is actually something that's very rewarding for me, because I can definitely empathize with the challenge,” said Franco-Cicero of Plantation, Florida-based [Tobias Financial Advisors](#). “They can sometimes be dismissed because they have an accent or sometimes people think if you're from a foreign country, you don't have enough investable assets.”

Such red flags represent only one of the many tensions and complexities surrounding a prospective client's choice of a financial advisor, according to more than a half dozen planners and other experts who shared their best tips on the topic with *Financial Planning*. In their haste to deal with a pressing matter or leverage newly secured assets, investors run the risk of placing their money in the hands of an advisor who doesn't suit their specific needs, clashes with their personality or closely held values or might not even be [looking out for their best interests](#). Without following steps recommended by experts, many Americans struggle with the decision.

“So many people are either underserved or not served at all by their financial advisor,” said Stephanie J.H. Roberts of Albany, New York-based [Haase Family Advisors](#) at Steward Partners. “With the financial landscape and the changing taxes and what happens in investments, everything moves so quickly that it's really hard to know what you don't know.”

Many investors have no advisor

Most Americans do not hire any planners, according to research firm Cerulli Associates, which [reported](#) this month that 60% of U.S. adults don't work with an advisor to plan for retirement or manage their retirement nest eggs. As would be expected, the share gets smaller among clients with higher amounts

of investable assets, but a notable 35% of adults with at least \$2 million said they don't have an advisor.

Preferences toward self-directed research and planning, the perception of not having enough assets for an advisor and a belief that the fees simply aren't worth it are the most commonly cited reasons for not hiring one. A degree of skepticism that a prospective client doesn't know how to find the right one or that advisors wouldn't improve portfolio performance or act in their best interest also constitute typical reasons for not hiring an advisor.

"That does show up sometimes, where people with the highest income think they're smarter than the average bear. The most confident might not be the most competent," said Scott Smith, Cerulli's director of advice relationships. "The problem here is that most investors aren't willing to make a lot of effort or willing to have a good framework to understand what they're looking for."

For starters, investors may not even know where to begin their search, even though an array of online tools could assist them. The [CFP Board](#), the [National Association of Personal Financial Advisors](#), the [Financial Planning Association](#), the [XY Planning Network](#), [Changing How Individuals Prosper](#) (CHIP) and the [Garrett Planning Network](#) provide some of the most popular resources for beginning the quest or narrowing the field of advisors.

FINRA's [BrokerCheck](#) and the SEC's [Investor.gov](#) display advisors' registrations and regulatory histories.

In addition, some startups are [developing technology aimed at matchmaking](#) at no cost to the investor. With a questionnaire and a proprietary algorithm, [SmartAsset](#) connects prospective clients to registered investment advisors based on characteristics such as location, asset levels or openness to virtual service, Chief Product Officer Aniket Gune said in an email. New incoming assets under management to the participating advisory firms reached \$5 billion in 2019, \$10 billion in 2020 and \$20 billion last year, Gune said.

"Our mission is to help consumers find the best financial advice," he said. "Our goal is to create better matches based on consumer attributes and experiences, and our in-house concierge team is extremely important and humanizes the matching process, as they're the first point of contact after consumers complete our survey."

Start with the F word

Several advisors told FP they open with prospects by explaining the importance of understanding how an advisor is paid and whether they are acting under a fiduciary duty some or all of the time. The industry doesn't "make things easy to understand" when it comes to topics such as the difference between fee-only planners who don't take commissions and are always held accountable to the fiduciary duty and fee-based advisors who can receive commissions and are subject to it only when serving advisory accounts, according to Danika Waddell of Seattle-based [Xena Financial Planning](#).

The SEC has, [to a murky extent](#), raised the standard of care for brokerage accounts from merely "suitable" recommendations to ones that are vaguely described as being in a client's "best interest." The fiduciary duty requires financial professionals to place a client's interest ahead of their own. Still, fiduciary status in itself doesn't remove the risk of bad actors.

While acknowledging that those distinctions "aren't necessarily bad or good" depending on a client's situation and the particular advisor, Waddell said she commences any prospect calls with roughly a five-minute discussion of industry classifications and business models.

"It's confusing and overwhelming, and that's for the people who work in the industry," she said. "For people who aren't familiar with the terms and all of the fee structures, it's really hard to understand the landscape."

Comprehension of the "financial advice landscape" is the first subject that Samuel Deane of New York-based [Deane Wealth Management](#) brings up when asked how to pick an advisor as well, he said. The range of people calling themselves a "financial advisor" includes insurance agents, money managers, stock brokers and all kinds of other professionals, so clients should ensure they're looking for full-bore planning and speaking to a planner, Deane said.

"You may have financial advisors who actually sell products," said Deane. "Just understanding that and understanding how each of those people are compensated will help you understand who is going to provide you with actual advice versus selling you a product."

Insurers have “a lot of good, well-intentioned people,” and they’ve traditionally been “one of the only places that give Black and brown advisors a chance” to break into the industry, according to advisor Anna N’Jie-Konte of Silver Spring, Maryland-based [Dare to Dream Financial Planning](#). Regardless, [industry conflicts of interest](#) “can incentivize some bad behavior,” she said.

“Too many people walk into a relationship with a financial professional and don’t understand how they’re compensated,” N’Jie-Konte said. “I think that gets a lot of people in trouble.”

Finding a fit

N’Jie-Konte and the other advisors who spoke with *FP* view a close relationship between the client and the planner as among the most important factors in the selection. Prospective clients should evaluate whether an advisor is listening closely to what they say and empathizing with them, said Luis Rosa of Pasadena, California-based [Build a Better Financial Future](#).

“This is a process that requires people to feel comfortable enough to be open and tell a complete stranger something that you might not have shared with anyone in the past,” Rosa said.

Clients ought to speak with at least four or five advisors before making their pick, according to Cedric Edwards of Garden Ridge, Texas-based [Edwards Wealth Consultants](#) and Stifel Independent Advisors. He makes a point of remembering “minute details” that prospective clients share in their meetings and pointing out the contrast between planning for long-term financial goals and just managing a person’s portfolio, Edwards said.

“When you’re selecting that financial advisor, you better have someone that’s relationship-building rather than treating you like a number,” he said. “I don’t believe that the robo advisors are going to take my job. My job is a relationship business. My job has nothing to do with coming in to pick the hot stock.”

In practice, the relationship resembles that of a patient with their primary care doctor, said Franco-Cicero of Tobias Financial. That’s what makes the initial interactions so important.

“If they didn't listen well or at all, then you're not going to be comfortable working with them and they have no hope of delivering what you want and expect,” she said. “You should be able to tell them anything, because you're basically becoming financially naked in front of your advisor. You're not going to make a good team toward your financial success if you can't talk about the mistakes that you made.”

Prospective clients seeking to create a financial plan need to give themselves time and think beyond one or two individual stocks that seem attractive, said Roberts.

“The way we approach it, investments are the tip of the iceberg,” she said. “That doesn't happen overnight. That's a long process, a good process, a deep process. So you want to do it with someone you enjoy, someone you trust and someone you deeply respect.”

These days, clients can come into the first meeting equipped with more knowledge about whether they're part of a practice's target niche. For example, Deane works primarily with millennials from technology fields, he said, noting that his frequent social media posts, writing and podcast appearances make that clear in advance.

“Through that conversation, I think we're both assessing whether or not we're a good fit,” he said. “For the most part, clients already know about my specialty, they know about my expertise, they know I'm the son of immigrants because of the content that I put out.”

Watch out for red flags

A practice's area of focus and common experiences often prove decisive in figuring out whether an advisor may be the right one for a particular client, N'Jie-Konte agrees. For clients who want to share part of their income or earnings with family members or other loved ones, any advisor who tells a first-generation immigrant not to do so is raising “a really big red flag,” she said.

“You need to make sure that your advisor is respectful of your values or shares your values,” N'Jie-Konte said. “They often tell them, ‘Don't do that. Stop doing that.’ ... It's a very culturally tone-deaf thing to say.”

To Edwards, the most common red flags come from an advisor who drives a very expensive car and talks up the big earnings potential of their investment strategies without asking about a client's family, he said. Edwards, an Air Force veteran with more than two decades of experience as an advisor, drives a Honda Accord.

"That's a different type of relationship, it truly is," Edwards said. "If they're driving the fanciest thing on the street, do you really want to be supporting that habit?"

Another frequent red flag shows up among couples in which the advisor is only speaking with one spouse and leaving the other, often the woman, out of the conversation or out of the meeting entirely, said Rosa. He notes the [research](#) suggesting that the vast majority of widows change advisors. There are signs of women taking more control of their finances, said Roberts.

A large new client recently joined her practice because the husband is older than the wife and he knew that she would be comfortable with Roberts' team, she said.

"It's OK to not know, and it's OK to get yourself educated and ask those questions. We find that some of our female clients ask the best questions. Asking questions is their superpower, and they should use it freely," Roberts said. "I'm blown away by the younger generation, and it's a nice sign to see."

Waddell never hesitates to give prospective clients the names of two or three other advisors to interview as they make the important decision on who will be their planner, ultimately.

"I'm not worried about giving someone a name and then they find a better fit. To me, that's a win-win for everybody," she said.

At the end of the day, the conversations with prospective clients usually serve as "a really good indicator" on whether they could have a successful relationship with an advisor, Waddell said.

“I encourage clients and prospective clients to ask as many questions as possible,” she said. “You might think it's annoying to have to interview five or six advisors, but it's worth it to do the work up front for someone that you're going to work with for 30 years. It is an overwhelming process, unfortunately, but I think it's worth it to take your time and be a little methodical with it.”