Frequently Asked Questions: Choosing the Right Financial Adviser

Understanding Fiduciaries

Q: What does it mean to be a fiduciary in investing?
A: A fiduciary is a financial professional legally and ethically bound to put your interests first. Under the Investment Advisers Act of 1940, investment advisers are held to a fiduciary standard because of the trusted role they play in guiding your financial decisions. This duty has two parts: a duty of care, meaning your adviser must prioritize your interests and act in good faith, and a duty of loyalty, meaning your adviser must place your interests above their own, avoid misleading you and either eliminate conflicts of interest or fully disclose them. Not sure if your professional is a fiduciary? Ask directly, and expect a clear answer.

Q: Are all financial advisors fiduciaries?
A: No. The title "advisor" alone doesn't guarantee fiduciary status. Investment advisers regulated under the Investment Advisers Act of 1940 are held to a fiduciary standard. Broker-dealers regulated by the SEC and FINRA are held to a transaction-based "Best Interest" standard. Insurance agents are often paid through commissions. Some professionals even switch between roles depending on the product or service. If you're uncertain, ask whether your adviser is acting as a fiduciary for you at all times during your relationship.

Q: Can a fiduciary still have conflicts of interest?
A: Yes. Even fiduciaries can face conflicts of interest. The main difference is they're required to identify those conflicts, disclose them and manage them to put your interests first. Transparency is one of the clearest ways fiduciaries stand apart from other professionals.

Q: Do fiduciaries guarantee better returns?
A: No. No financial professional can promise specific returns. Like other money managers, a fiduciary's strategy will have periods where it does well and periods where it underperforms relative to the market or other strategies. Focus on their process and how well it fits your goals, not on promises of performance.

Fees and Conflicts of Interest

Q: How do I find out how my adviser gets paid?
A: Ask directly, and expect a plain-language answer. Knowing how your adviser is paid tells you a lot about whose interests come first. Helpful questions include: How exactly are you paid? Aside from what I pay you directly, what other compensation do you receive? Do you earn commissions or incentives for selling certain products, mutual funds or securities? If this information is hard to find, treat that as a warning sign.

Q: What's the difference between "fee-only" and "fee-based" advisers?
A: The difference comes down to how your adviser earns money. A fee-only adviser is paid directly by you and earns nothing from selling products. A fee-based adviser charges you a fee but can also earn commissions from products they sell, which can create conflicts of interest. This distinction is one of the most significant indicators of potential conflicts.

Q: Will my adviser use mutual funds or other products, and what will they cost?
A: It depends on the adviser, so ask before you commit. If your adviser uses mutual funds or other investment products in your portfolio, ask what fees you'll pay for them. Also confirm whether their fee structure ties their success directly to yours.

Portfolio Allocation Decisions

Q: Who decides the mix of stocks, bonds and cash in my portfolio?
A: This should be clear before you hire anyone. Your mix of stocks, bonds, cash and other securities drives a large portion of your long-term returns, so ask who's responsible for changes and whether the final responsibility rests with you or your adviser. Helpful questions include: How often do you review my allocation, and is it only when I ask? Would my allocation change if your market outlook changed? How do you tailor my mix to my personal goals rather than a one-size-fits-all model?

Q: Does my mix of stocks, bonds, cash and other securities reflect my personal goals?
A: It should. A good adviser builds your mix of stocks, bonds, cash and other securities around your individual goals, time horizon and circumstances rather than a standard template. Ask how they tailor your allocation to your long-term objectives and what would prompt them to adjust it over time.

Investment Style and Market Strategy

Q: How flexible is my adviser's investment style?
A: It varies by firm, so ask. Rigidly sticking to one investing style can mean missed opportunities. Useful questions include: Does your firm follow a specific style, such as large cap or small cap, growth or value? Is your style fixed or flexible? What would prompt you to shift the size, style or sector mix of my portfolio? Who makes these decisions, and do they have a performance history of getting them right?

Q: How does my adviser approach global markets and shifting sectors?
A: Market leadership shifts between countries, sectors and industries over time, and a good adviser watches these trends. Ask what they monitor to forecast how countries, sectors or industries might perform, who decides the mix of domestic and international investments, how they decide when to overweight or underweight a sector and how large the research team supporting these decisions is.

Service and Communication

Q: How often should I expect to hear from my adviser?
A: You deserve proactive, ongoing support, especially when markets get rocky. Ask how often you'll hear from your adviser and what prompts those conversations. It also helps to confirm whether you'll have a dedicated point of contact who knows your situation, what educational resources they provide and how they help you stay disciplined and avoid emotional decisions during downturns.

Q: Who makes the ongoing decisions in my portfolio?
A: Ask directly, because this shapes your whole relationship. Find out whether your adviser makes ongoing investment decisions on your behalf or whether you have the final say on every move. It's also worth asking who serves on their decision-making team, how much experience they have and whether they've managed assets for pension funds, large companies or major institutions.

Custody and Security

Q: Who holds custody of my assets?
A: Where your money is held matters. Financial fraud is much easier to commit if your adviser also has custody over your assets. Look for advisers who use a trusted third-party custodian to house your assets and ask how you can independently verify your account balances and activity.

Q: Where can I find a local representative?
A: Start by researching advisers online, then ask any firm directly about how it serves clients in your area. Helpful questions include: Where are your offices located? Will I have a dedicated point of contact who knows my situation? How do you meet with clients, and what does that look like for someone in my location? A trustworthy professional will give you clear answers about their service model and how you'll stay connected.

Still deciding? You don't need to ask all of these questions at once. Pick the categories that matter most to you and start there. Pay attention not just to the answers but to how openly your adviser responds. A trustworthy professional welcomes your questions and explains things clearly.