How to Choose the Right Wealth Manager

BY THE NUMBERS

A
trusted advisor
is an
invaluable investment
in
your
financial future.

Choosing the Right Wealth Manager

Wealth is more than just the accumulation of money and resources. It is the measure of your quality of life and all the things that bring you joy and happiness. Regardless of what wealth means to you, your finances play a strong role in your ability to relax and enjoy life. While money is not an end in itself, it certainly is a means to an end.

Whatever your personal goals and dreams are, you need a solid financial plan in place that will enable you to achieve them. A trusted advisor is an invaluable investment in your financial future. Real wealth management is a comprehensive, expert approach that addresses your entire financial picture.

Choosing the right person to help you manage your financial life is a deeply personal decision. Myths about financial planning, misconceptions about what to look for in an advisor and, frankly, too many individuals who may not put your best interests first make it a difficult decision, as well.

This guide will prepare you to ask the right questions, separate the wheat from the chaff, and find the most qualified and suitable wealth manager. In this booklet, you'll find the following information:

5 Myths & Misconceptions About Wealth Management
5 Tips for Choosing an Advisor
10 Questions to Ask a Potential Advisor
1 Choice for Protecting Your Financial Future

5 Myths & Misconceptions about Wealth Management

1. The titles "financial advisor," "financial planner" and "wealth manager" signify qualifications.

FALSE. Many people — brokers, banking representatives, insurance agents and random others in the financial industry — claim to be financial planners, financial advisors, financial counselors and wealth managers. **Look beyond the title when choosing a wealth manager.** Ask for details about education, credentials and experience to determine if the person is truly qualified to help you with the very important task of providing financial advice and services.

2. The less expensive, the better.

FALSE. You need to understand how your advisor is compensated. It's not surprising that many people have no idea how their advisor is paid, as some advisors do a very good job of burying their fees in voluminous reports. **Look for an advisor who values transparency and who can clearly explain how he or she is compensated.** If they are paid on event-driven or product sales, think about whether their advice will always be in your best interest.

There are three common types of advisor compensation:

- **Fee-Only:** A fee-only advisor is paid directly by the client for his or her services. He or she receives no other fees from commissions or elsewhere, so this model minimizes conflicts of interest and ensures advice is soley in your best interest. Compensation is based on an hourly rate, a percent of assets managed, a flat fee or a retainer.
- **Fee-Based (fee plus commission):** A fee-based advisor charges clients a fee, plus he or she sometimes receives commission for products sold or recommended. Be sure you are clear about any outside compensation.
- **Commission-Based:** An advisor who is compensated through commissions is primarily a salesperson who may put the best interest of his or her employer ahead of your best interest. If their compensation does not come from their client, their client may not come first.

3. Bigger is better.

FALSE. As advisors gain experience and a loyal customer base, they often choose to work independently. **Independent advisors can offer more options and more personal service to their clients than firm-based advisors.** Also, many advisors leave large broker-dealer firms because they don't like being told what to sell to meet underlying profit motivations.

4. It doesn't matter whether an advisor is a fiduciary or a broker.

FALSE. There is a big difference between an advisor who works as a "fiduciary" and one who works as a "broker" or insurance salesperson. Currently, there are two "standards of care" to which advisors are held: the suitability standard and the fiduciary standard.

- The suitability standard gives brokers the most "wiggle" room: It simply requires that investments fit clients' investing objectives, time horizon and experience. The suitability standard invites conflicts of interest pertaining to compensation, which can vary greatly among products.
- **The fiduciary standard is more stringent and requires advisors to put their clients' best interests ahead of their own.**

5. Custody of assets matters.

TRUE. (Finally!) The issue of investment custody painfully came into public awareness with the Madoff scandal. **The best way to protect your money is to ensure your investment account is held with a company that is not affiliated directly with your financial advisor.** Placing your assets with "an independent third-party custodian" creates a firewall between your money and your advisor, minimizing any opportunity for fraud. A good advisor chooses a reputable firm to serve as the custodian of your account.

5 Tips for Choosing an Advisor

1. Make sure you have a written contract.

Advisors are not required to offer a contract for their services. If there is nothing in writing explaining the responsibilities of the advisor, you may experience frustration and confusion down the road. Always insist on having a written contract.

2. Make sure a written investment plan is part of the offering.

As with anything in life, it is always best to have a plan — preferably in writing — that outlines what will happen now and if circumstances change. The same good sense applies when working with an advisor. A written document ensures you know your financial situation and plans for the future.

3. Do your homework.

Research your advisor using the Financial Industry Regulatory Authority (FINRA; www.brokercheck.finra.org) or the Securities and Exchange Commission (SEC; www.adviserinfo.sec.gov). Determine if there are any disciplinary actions of which you should be aware, as well as whether the individual and firm are in good standing with their respective regulatory agency.

4. Understand the advisor's investment philosophy.

Choosing an investment philosophy is at the heart of successful investing. There are many philosophies from which to choose, including momentum, contrarian, opportunistic, market timing, arbitrage, hedging, passive and evidenced-based — just to name a few.

The best strategy for you is one that matches your personality, your tolerance for risk and your need for return. Your choice of philosophy will also be affected by what you believe about markets and how they work (or don't). Ask questions to make sure you understand the advisor's investment philosophy, and make sure it resonates with yours. It is imperative that you know, understand and agree with your advisor's approach to handling your assets. Perhaps most importantly: If something seems too good to be true, it just might be.

5. Choose someone who promotes a long-term relationship, consultative process and holistic approach.

If you meet with an advisor who asks you to buy something during the first appointment, you should seriously reconsider using his or her services. Not only does an advisor need to spend time understanding your specific financial situation in order to make recommendations tailored to your needs and goals, but you also should have time to think about the best decisions for you and your family. Your life and financial circumstances are likely to change over time, so look for someone who makes regular progress meetings or "checkups" part of your long-term strategy.

Lastly, inquire about an advisor's expertise beyond investments. Be sure he or she conducts a comprehensive review of your entire financial picture, including things such as insurance coverage, charitable and college planning, debt management, and tax-saving and estate-planning strategies.

Real
wealth management
is a comprehensive,
expert approach
that addresses
your entire
financial picture.

10 Questions to Ask a Potential Advisor

Before you meet with an advisor, take some time to really think about — and make a list of — your financial goals. Then, ask the questions below. The answers will help you determine whether this is the right person to help you meet your financial objectives.

1. Do you work as a fiduciary?
2. Are you registered with the SEC or your state securities regulator?
3. How long have you been an advisor?
4. How do you get paid?
5. What is your investment philosophy?
6. What financial services do you offer in addition to investment management?
7. How often do you meet with clients?
8. Who will have custody of my money?
9. Do you provide a written contract?
10. Do you use a written investment plan?

1 Choice for Protecting Your Financial Future

Lifeguard Wealth helps affluent individuals and families manage their money. We believe we have created a better experience for our clients with our highly individualized wealth services, uniquely tailored to each client's needs.

Our philosophy is simple: provide superior investment solutions and wealth advice without bias.

Joe Delaney founded Lifeguard Wealth to help others realize their goals and dreams. He is dedicated to putting his clients first, and creating and executing wealth management strategies for individuals and families. Joe has more than 30 years of financial-industry experience as a CPA and CFO; he has held senior positions with institutional investment and wealth management firms. He has a BA in economics from Stanford University and an MBA in finance from UCLA Anderson.

Lifeguard Wealth helps you navigate the uncertainties of the markets and adequately plan for a secure, prosperous future.

To learn more about Joe Delaney and Lifeguard Wealth, please visit www.lifeguardwealth.com, or call or e-mail us to schedule a meeting. If you already have a financial plan, but you are not sure it is right for you, please ask about our complimentary Second-Opinion Service (S.O.S.).

LIFEGUARD WEALTH

Protecting Your Financial Future

(415) 578-3160
info@lifeguardwealth.com
www.lifeguardwealth.com

LIFEGUARD WEALTH

www.lifeguardwealth.com