



How do I choose the right advisor?



Important questions to ask before you hire an investment advisor

To choose an advisor you feel comfortable with—both personally and professionally—it's smart to take your time, talk face-to-face, and ask the right questions.



Are you looking for your first investment advisor?
Or do you feel that your current advisor no longer meets
your needs? This booklet can help you ask the right
questions to make an informed choice.

Questions to Ask Yourself

What are my choices?	3
Where do I start?	4

Questions to Ask Advisors

What are your credentials?	7
Do you offer the services I need?	8
How are you compensated?	10
How will we work together?	11
How do you approach investing for people like me?	13
Where will my assets be held?	14

My Notes

Use these pages to prepare for advisor conversations.	15
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Questions to Ask Yourself

Being able to clearly articulate your needs and expectations will help you and the advisors you talk with make an informed decision about whether you're right for each other.

- › **Suggestion:** List the reasons you're looking for an advisor in My Notes on page 16.



What are my choices?

When you're choosing an advisor, trust is essential. You can find advisors in a variety of places—in a larger financial firm such as a brokerage house or bank, or in an independent advisory firm. This brochure is designed to help you learn about and select an independent financial advisor, but can also be used more broadly to select an advisor in general.*

Why an independent financial advisor may be a good choice for you

They're independent	Independent advisors generally have affiliations with a variety of firms that assist with tax planning, estate planning, money management, and more. These affiliations allow them to help their clients with complex financial needs.
They're usually fee-based	Independent advisors often charge fees based on a percentage of your assets—so growing your portfolio benefits you both.
Your assets are generally held by a third party	Independent advisors typically manage your assets in an account they open for you with a third-party custodian—a bank or brokerage firm. <ul style="list-style-type: none">▪ The account is in your name, and the custodian sends you account statements that detail all the transactions your advisor has made for you.▪ You may pay the custodian for its services separately from what you pay your advisor.

* This brochure is not intended as a recommendation or endorsement of any specific advisor. You must decide whether to hire an advisor, what authority to give the advisor, and what type of advisor is right for you.



Where do I start?

Whether you're starting with a list of recommended advisors or you have a specific advisor in mind, the following three steps can help you make a thoughtful choice.

1

Start with a preliminary screening.

You can review pertinent information about an advisor even before you meet. Most independent financial advisors are required to publicly disclose details about their business by filing a Form ADV. You can review the Form ADV on the SEC website for federally registered independent financial advisors at www.adviserinfo.sec.gov.

- Form ADV, Part 1 describes an advisor's advisory services, compensation, disciplinary history, and other aspects of its business operations.
- Form ADV, Part 2 describes an advisor's services, fees, and investment strategies. Advisors are required to give you Part 2 information before you hire them.

Keep in mind that not all investment advisors are registered. State-registered financial advisors may not file a Form ADV, and advisors that are exempt reporting firms only complete parts of Form ADV.

Things to check on Form ADV:*

- Type of business
- Assets under management
- Affiliations with other financial services companies
- Services offered
- Disciplinary history

*Other information is available on Form ADV. This list is not all-inclusive.

2

Know your investment objectives.

Identifying your objectives will help you select an advisor who is in tune with your ultimate goals and personal preferences. Advisors will want to know:

- Your investment goals**—What are you working toward: A comfortable retirement? Leaving a legacy? Philanthropic goals?
- Risk tolerance**—How much fluctuation in value can you tolerate in exchange for the opportunity to earn above-average returns?
- Time horizon**—When will you need to withdraw money from your investments?
- Income needs**—Do you need current income from your portfolio? How much?
- Tax situation**—Does your tax bracket require a tax-sensitive strategy?
- Other holdings**—Do you have significant wealth tied up in real estate or other illiquid assets?
- Other needs**—Do you have complex planning needs related to wealth transfer, executive compensation, risk management, business succession planning, or philanthropic planning?

3

Prepare to interview advisors.

As you begin to talk with advisors, you'll want to evaluate them objectively. Asking each advisor a consistent set of questions will help ensure that you have the information you need to make a good comparison.

Suggested questions start on the next page of this booklet.

> Suggestion: Jot down your objectives in My Notes on page 17.

Questions to Ask Advisors

An advisor you'll be comfortable working with is one who welcomes your questions and gives you answers you can understand.

If you don't understand something, ask, ask, and ask again.



What are your credentials?

An advisor's professional designations can tell you a great deal about his or her education and areas of expertise.

Common Credentials*

CFP® (CERTIFIED FINANCIAL PLANNER™)

CFPs have completed university-level financial planning coursework and passed a 10-hour exam covering nearly 90 topics, from group medical insurance to derivatives.

More information: www.cfp.net

CFA® (Chartered Financial Analyst®)

CFAs must pass three exams, each of which demands a minimum of 250 hours of study and includes corporate finance and financial statements.

More information: www.cfainstitute.org

PFS (Personal Financial Specialist)

PFSs are certified public accountants who specialize in personal financial planning. The credential requires a detailed exam and significant financial planning expertise.

More information: www.aicpa.org

CIMA® (Certified Investment Management AnalystSM)

CIMAs focus on asset allocation and typically complete final coursework at the Haas School of Business at the University of California, Berkeley, or at the University of Pennsylvania's Wharton School of Business.

More information: www.imca.org

* Not a complete list of certifications. There is no implied endorsement of one certification over another.

› Suggestion: Visit the website of the organization that issued an advisor's credential to verify that the advisor is a member in good standing.



Do you offer the services I need?

Investment advisory practices vary widely in the services they provide. In general, they fall into one or a combination of the categories listed below.

Money managers

If you need someone to manage your portfolio and do your investing, consider money managers. They:

- Design investment portfolios, generally consisting of stocks, bonds, and other individual securities.
- Often manage the portfolio on a discretionary basis, meaning that you authorize the advisor to trade on your behalf without the need for advance approval from you.
- May not offer general financial planning services.

Financial planners

If you need someone to review your situation and help with big-picture planning, consider financial planners. They:

- Help you look to the future and do long-term financial planning in the areas of retirement, college funding, wealth transfer, tax planning, and insurance.
- May not offer investing and portfolio management services.

Wealth managers

If you need an advisor who can handle both your investing and planning needs, consider wealth managers. They:

- Provide highly personalized, comprehensive financial planning as well as investment and portfolio management for high-net-worth clients.
- Coordinate with other professional advisors, such as attorneys and accountants, to serve more complex financial needs, which may include tax minimization, trust management, wealth transfers, real estate management, portfolio performance analytics, and more.

Services I need from an advisor:

Investing

- Portfolio analysis
- Portfolio design
- Discretionary portfolio management
- Ongoing investment advice

Cash management

- Budgeting
- Retirement income

Planning

- Retirement
- Education funding
- Business succession
- Charitable giving
- Personal and business lending
- Wealth transfers
- Trusts and estate plans
- Insurance review



How are you compensated?

Knowing how your advisor is compensated may help you evaluate the relative objectivity of the recommendations you receive. Independent financial advisors generally work on a fee-only or fee-plus-commissions basis.

Types of compensation and what they mean to you:

Fee only

Asset-based, hourly, or flat fees: Many independent financial advisors charge a percentage of the assets they manage for you (typically 1%–2%). This compensation method rewards your advisor for growing your portfolio. Hourly or flat fees are often associated with a specific, one-time service (e.g., developing a financial plan). The fee may vary by account size and service. In addition to these fees, you may pay other fees for execution of the trades your advisor makes and for custody of your assets.

Fee plus commissions

Along with an advisory or financial planning fee, some advisors may receive a portion of the commissions you pay when you buy or sell certain financial products that the advisor recommends, such as insurance policies or annuities.

Commissions only

Advisors sometimes receive only compensation from sales commissions on the investments they buy and sell for you. This method may give the advisor an incentive to recommend that you buy and sell more often.

Wrap fees

Sometimes advisors charge a “wrap fee,” which is typically a single asset-based fee for both the advice they provide and the execution of the trades they make.



How will we work together?

Good communication between you and your advisor is essential. Asking the questions below can help you judge the amount of attention and regular communication you can expect.

What to ask:

Who will I work with?

In some cases, the firm's principal may conduct your initial meeting, and then turn your portfolio over to an associate or a team who actually manages it. If personal rapport is important to you, ask to meet personally with the people you'll be working with.

How often will we communicate?

Regular contact helps ensure that you and your advisor are clear about your financial goals, risk tolerance, and investment strategy. Typically your advisor meets you in person at least annually—and stays in touch more frequently by phone and email.

How will you report performance?

At a minimum, you should expect to receive:

- Account statements from the advisor or custodian/brokerage firm where your assets are held
- Quarterly summaries of year-to-date investment performance
- A comprehensive annual performance report from your advisor

What is the size of your firm?

A firm's size—including the number of employees, assets under management, and the average portfolio size—can have a bearing on the quality of service you receive.

- Large firms may have more resources—an important consideration if your needs call for specialized services. Small firms may offer more personalized attention.
- The average portfolio size of the advisor's other clients helps you understand your potential fit with the firm.

Does your firm have insurance?

Having insurance is an important step that independent advisors take to protect their clients' assets when unexpected events arise (e.g., cyberbreach, fraud, breach of fiduciary duty, etc.).

The three most common types of insurance that independent advisors carry to protect their clients' assets are:

- Errors & Omissions (E&O) insurance
- Fidelity bonds insurance
- Cyber insurance



How do you approach investing for people like me?

Before discussing investments, an advisor should get to know you, your financial issues, and your goals for today and the future. This will allow the advisor to give investment advice that's rooted in a deep understanding of what you want to achieve and that can be tailored to your specific needs.

Performance

- Ask to see portfolio performance numbers for up and down markets.
- Ask the advisor to compare the performance with relevant benchmarks, such as the S&P 500®, during the same time period.
- An advisor should at least meet—and preferably beat—the benchmark.

Investment style

- Advisors may specialize in certain types of investments (such as mutual funds, stocks, or bonds) and styles (such as growth or value).
- You can assess whether the advisor's methodology or style aligns with your objectives.
- Asking about an advisor's investment style is a good way to make sure that the advisor can explain his or her approach clearly and in a way that you understand.

Decision-making

- Advisors who have a disciplined approach to decision-making may be more likely to stay focused on your long-term goals.
- Many advisors use an asset allocation strategy that has a history of success over time. Your strategy should be based on your goals, time horizon, and comfort with risk.
- Knowing how often an advisor adjusts portfolios can indicate whether the advisor uses a strategic, long-term approach or invests in short-term trends.



Where will my assets be held?

Independent financial advisors typically use independent custodians—generally brokerage firms or banks—to hold and safeguard their clients’ stocks, mutual funds, and other assets.

Why should you ask this question?

You want to be confident that your advisor has chosen a custodian that meets or exceeds the security measures required by industry regulators to protect your assets.

- Look for a custodian with important services like trade execution and preparation of monthly brokerage statements, which will allow your advisor to concentrate on managing your portfolio.
- Ask about the custodian’s policies to protect both personal and financial information from unauthorized activity.

We hope this guide will help you choose an advisor who is right for you.

You can find more information about choosing advisors on these websites.

Professional designations and what they mean:

www.finra.org

Protection for brokerage accounts:

www.sipc.org

Access to Form ADV for independent financial advisors:

www.adviserinfo.sec.gov



[My Notes]

As you begin your search for an investment advisor, you may find it helpful to jot down your thoughts and comments on these pages. Keeping everything in one place—including notes about your own needs and goals and the questions you want to ask—can help make your search more productive.

Why I'm looking for an advisor

Sharing your reasons can give advisors a better understanding of your priorities.

If you're currently investing on your own:

- My portfolio has grown too complex for me to comfortably manage.
- My portfolio is not meeting my performance goals.
- I want someone else to do the day-to-day investing.
- I'd rather be spending my time on other things.
- I need help with a plan that addresses my entire financial picture.
- I need help with a windfall, such as money from a home sale.
- I'm retiring and want to create a reliable income stream.
- I want help with tax-efficient investing or developing an estate plan.

If you're already working with an advisor:

- My portfolio has outgrown my advisor's expertise.
- I question the advice I'm currently receiving.
- The advice I receive doesn't reflect my goals, situation, life stage, or risk tolerance.
- My advisor doesn't seem to be listening to me.

Other reasons:

[My Notes]

My investing objectives

To help an advisor understand your current situation and goals, you may find it helpful to jot down your thoughts before meeting.

My investment goals—What am I working toward: A comfortable retirement?

Leaving a legacy? Funding college?

My comfort with investment risk—How much fluctuation in value can I tolerate in exchange for the opportunity to earn above-average returns?

My time horizon—When will I need to withdraw money from my investments?

My income needs—Do I need current income from my portfolio? How much?

[My Notes]

- My tax situation—Does my tax bracket require an investing strategy that minimizes taxes?

- Other holdings—Do I have significant wealth tied up in real estate or other illiquid assets?

- Other needs—Do I have complex planning needs related to wealth transfer, executive compensation, risk management, business succession planning, or philanthropic planning?

Not sure about your objectives?

“I don’t know” is a perfectly fine answer. Advisors often begin by helping you articulate your objectives.

[My Notes]

Services

Investing

- Portfolio analysis
- Portfolio design
- Portfolio management
- Ongoing advice

Cash management

- Budgeting
- Retirement income

Planning

- Retirement
- Education funding
- Business succession
- Charitable giving
- Personal and business lending
- Wealth transfers
- Trusts and estates
- Insurance review

Compensation

- Fee only?
- Fee and commissions?
- Commissions only?
- Wrap fees?

[My Notes]

Performance

Investing style?

Decision-making?

Results?

Relationship

Primary contact?

Number of clients served?

Average assets per client?

Communication frequency?

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CC0511789 (0516-FDVC) MKT91806-00 (06/16)
00166487



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