



PRACTICE MANAGEMENT > CLIENT RELATIONS

## Wealth Advisor Interviews: Questions Clients Should Ask

*Financial planning is an essential component of estate planning. This checklist is designed to help clients interview and select a wealth advisor suitable for their needs.*

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A successful estate plan will often require as its foundation a successful financial plan.

For example, with longevity risk if the client does not address long term financial planning with an appropriate time frame, he or she might run out of money in later years or face a significant and avoidable need to cut back lifestyle expenses. In other instances, financial planning is an essential component of the estate planning itself. For example, asset location decisions to maximize income and estate tax benefits of a more sophisticated trust plan are critical to the success of that plan.

The bottom line is that for a myriad of reasons the likely success of an estate plan may depend on having a financial advisor as a member of a collaborative planning team. Surprisingly, even wealth clients may have not focused on a primary financial advisor and have not had any financial professional acting as an integral part of their planning team. Many clients have accounts randomly scattered at many different institutions with no integrated plan. Rather than the attorney or CPA recommending a single advisor, they might consider recommending three advisors, so that the client can choose for themselves who they wish to work with. When this is done clients frequently ask, “What do I ask wealth managers when we interview them?” The following checklist is designed to help clients interview and select a wealth advisor suitable for their needs. Since this checklist is generic it will often be advantageous for the attorney or CPA making the referrals to tailor it somewhat to the clients particular circumstances.

### **1. Advisor’s client profiles.**

- a. Tell me about what you consider to be your ideal client? What is the net worth and income levels of your typical client?
- b. Why would I fit the range of clients that you target to serve?
- c. Explain how your services and skills will add value to me and clients like me.

### **2. Advisor’s operations/approach.**

- a. Tell me about the team that will be helping me and my family. Who on the team leads the team and is ultimately responsible to us? Tell me what we should anticipate in terms of day to day service and ongoing review meetings.

b. Do all/most of the team members work together in the same office? For “shared” team members (trust officers, financial planners, etc.), how many teams do they support? Does each team have its own administrative support?

c. How does the team determine the appropriate asset allocation and identifies securities appropriate for the portfolio? Is this approach guided and enforced by a fiduciary standard?

### 3. **Collaboration.**

a. Tell me how you work with a client’s other advisors, such as my attorney, CPA and various fiduciaries?

b. How do you coordinate with my advisors on transactions that may require their involvement and input?

c. Will you work with my independent insurance consultant?

### 4. **Services.**

a. How often will we meet? What services do you offer? Will they be provided as needed or only if I request them?

b. Tell me about how you monitor client’s mental health and your process for working with clients and families?

c. Can you review my life insurance coverage even if you don’t sell it?

d. How involved will you be with the next generation? What does that look like? How do you help prepare the next generation for the potential eventuality of a wealth transfer?

### 5. **Estate and trust planning.**

a. How does a client’s estate plan and wealth transfer strategy fit into your investment and relationship strategy?

b. How do you handle asset location decisions between various trusts, entities, IRAs, etc. (i.e., which investments should be hold in which “buckets”)?

c. How does investing in various type of irrevocable trusts differ? How might investing my assets in a revocable trust differ from how you would invest assets in an irrevocable trust? Explain your process and considerations.

- d. Can you work with a dynasty trust? How does your infrastructure and business culture support the long term nature of such a trust?
- e. Will you monitor appreciation inside trusts for which you are investing assets to identify opportunities to swap assets to maximize basis step-up?
- f. Does your firm proactively consider state income tax and creditor protection issues that could adversely impact the near term and long term viability of my trust? What does your firm offer to contend with these challenges?

## 6. **Financial and investment planning.**

- a. Will you provide comprehensive financial planning as the foundation of my investment plan?
- b. How do you identify whether I am moving away from my financial targets? What will you do?
- c. If/when I/we are retired, will you help ensure that my/our portfolios are constructed to last for our entire lives in most economic circumstances? Can you run simulations to account for various market environments (e.g. like a rising interest rate environment)? Is this analysis done periodically? Is there an additional charge for this?
- d. How do you think about downside risk in portfolio construction, especially given current market environment with stocks at all-time highs?
- e. Have you reviewed my asset allocation? If so, what general suggestions might you make at this time?
- f. Asset allocation (are you incentivized to put clients into riskier assets where perhaps you could charge more?) How does the choice of asset allocation impact your investment selection?
- g. Internal versus external products (are you incentivized to promote your own investments versus external managers?)
- h. Active versus passive management (are you incentivized to promote active (more expensive) managers versus passively managed investment?)
- a. Will you address asset location decisions to improve results across various types of accounts (qualified, non-qualified, grantor trusts, non-grantor trusts)?

j. Does your institution have an investment track record? If so, can you please share it? How can I hold you and your firm accountable for deviations in my performance relative to the model allocation we agree to follow?

k. Are you willing to challenge my/our irrational financial behaviors? What should my signal from you that we're off base?

**7. How do you charge for what you do?**

a. Do you charge an account level fee? How much?

b. What will my overall costs be in terms of both account level fees and fees of underlying investments?

c. Will you clearly communicate to me what my account level costs are for a year as well as my total costs for each year? Where will I find this information?

d. Compensation: how are the team members paid? Upfront on same-year sales? Only by "commission?" Or are they paid to service and retain clients, as well?

e. Do you sell products from your company?

f. Do you sell life insurance?

**8. Final questions.**

a. In comparing your firm to other providers, what is the key take home I/we should have about what you offer?

b. Is there something important I did not ask?

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