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Do your homework to find adviser best for you

By John Heinzl

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A checklist of seven things to look for

In a recent column we looked at adviser behaviours that signal trouble, including frequent trading, pressure to invest in new products and a lack of return calculations.

Today, we'll flip things around and look at the desirable attributes of an investment adviser.

Yes, there are honest, dedicated advisers out there who put their clients' interests ahead of their own. Finding them takes some work, however.

"You really have to do your due diligence and make sure you're getting somebody who can steer you down the path that's best for you, not the path that their firm thinks is best for maximizing their revenue," says Jason Heath, a certified financial planner with fee-only firm E.E.S. Financial Services Ltd. in Markham, Ont.

Here's a checklist if you're shopping for a financial adviser, or if you want to evaluate the service you're getting from your current one.

1. Fees are transparent

Low fees are one of the most important ingredients in a successful investing plan, but many investors have no idea how much they're paying or how their adviser is compensated.

Good advisers make the information available in plain English and are happy to answer questions. "It needs to be straightforward and in writing," Mr. Heath says.

2. They were recommended

Getting invited to a free dinner at a ritzy club may make you feel special, but it's no way to hire an adviser. The best advisers are those that come highly recommended by someone whose opinion you trust.

But don't stop there: Ask the adviser for a couple of other references, and be sure to call them. You'd do this when hiring a contractor, so do just as much research - if not more - when selecting someone to manage your money.

3. They pass the "like" test

Money can be a touchy topic, so if you want to have a productive relationship with your adviser, you'll have to feel comfortable opening up to him or her. But you won't do that if you don't hit it off on a personal level.

"You need to have someone you can confide in and somebody you can trust and tell them the whole story. If you can't tell them everything, you're not going to get the best possible advice," says Jim Ruta, author of *Master Your Money Management: How to Manage the Advisors Who Work for You*.

4. They use plain language

"The financial business is so overrun with jargon and complicated language that some folks say yes to things they don't understand," says Mr. Ruta, a Burlington, Ont.,-based consultant to the financial industry. "Unless you can understand your adviser they can't help you."

5. They have a process

The best advisers explain, in writing, the process they will follow to meet your financial goals. The "client connection letter," as Mr. Ruta calls it, might include a description of the investment products to be used (stocks, bonds, mutual funds or exchange-traded funds), how the adviser is compensated (commissions or asset-based fees) and the frequency of adviser-client meetings.

6. They favour lower risk

Instead of trading frequently and trying to make a big score on a speculative stocks, good advisers follow a boring approach.

"While they may hold stocks, they are usually just the big-name financials, utilities, resource companies, and they don't trade them," says Garth Rustand, founder of the Vancouver-based Investors-Aid Co-operative of Canada.

Good advisers also don't claim to have any special ability to predict what the market will do. Rather, they recommend indexing - buying and holding low-cost ETFs or mutual funds that track broad market indexes.

7. They aren't into bling

The best investment advisers often drive sensible cars and live in modest houses. "Their small offices won't be cluttered with sales trophies," says Mr. Rustand, a former broker.

They are "personally frugal and try to keep their client costs at 1 per cent or below, knowing that the lower their costs, the better the client's return," he says.

Remember that every dollar that goes into your adviser's pocket is one that doesn't stay in yours.

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