

Deeper Thinking

A Comprehensive Report from
First Affirmative Financial Network



HELP WANTED: Looking for an Experienced Advisor Who Can Help Me Integrate My Values with My Financial Plan

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Choosing an advisor to help you to meet your financial goals can be an intimidating task. Investors who choose to integrate social and environmental priorities into their decision-making process face an additional challenge; such integration calls for an advisor with a unique set of skills. This issue of Deeper Thinking will help you develop a strategy for finding, interviewing, and hiring the “right” advisor.

Where to Start?

Investing in businesses that offer solutions to some of the world’s most pressing environmental and social challenges is not only possible, but increasingly common. However, many financial advisors who may be otherwise qualified may not have the unique skills, personal commitment, or access to the investment strategies required to serve your unique situation effectively.

If you are looking for an advisor who specializes in helping clients integrate their values with their financial plans, the first step is to develop a list of likely candidates. Ask like-minded friends, trusted colleagues, and financial professionals, such as your accountant, for referrals. Develop a list, and prepare for a series of interviews. Here are some important things to think about in advance of those interviews.

What’s in a Name?

Financial Advisor. Financial Planner. Investment Advisor. Wealth Manager. Most investment professionals use one of these monikers, but the services provided and the level of expertise can vary widely, even among people who use the same titles. Good advisors generally know their limitations and, when appropriate, rely on the

expertise of other professionals to better serve their clients. Be sure to ask about the advisor’s expertise in your specific areas of interest and need. If your circumstances are complex, you may want to choose an advisor who will serve as a “team leader,” helping you to put together a group of qualified professionals to address different aspects of your financial plan.

Know Yourself

Before you invest time interviewing advisors, spend some time interviewing yourself! Reflect on why you are seeking an advisor and the financial issues you wish to address. Are you looking for someone to help you manage your investments, or do you need more comprehensive advice on other financial issues?

Write down the issues that are important to you. If you are replacing your current advisor, what do you feel is

Continued on Page 2

First Affirmative: Committed to Professional Advising

First Affirmative works closely with a nationwide network of investment professionals who are committed to serving socially conscious clients. Our network advisors work to help clients make money and make a difference at the same time. To learn more go to www.firstaffirmative.com/find-an-advisor.



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lacking in your present relationship? What characteristics and personality traits are you seeking that will mesh well with your own? A successful relationship with a financial professional requires a level of trust and rapport that allows the advisor to deliver maximum benefit. A key component of such a relationship is clear and honest communication—and it must go both ways. If you do not feel comfortable sharing your deepest financial secrets, it's probably not the right fit.

Couples and families should reflect on needs and expectations both together and individually. Couples often struggle when dealing with financial issues; it is essential that the planning process leads to a joint life plan. For example, many couples have different tolerances for risk; the right advisor can help you find common ground.

Interview Basics

Once you develop a list of advisor candidates, you will want to schedule interviews. Many advisors offer a free initial consultation. To make the most of it, ask for an introductory package that contains the advisor's *ADV Disclosure Brochure* and other information about the firm, and take a close look at their website. Reviewing this information in advance will reduce the time you spend in the interview on the basics and allow more time to discuss the philosophical and relationship issues that are key to a long term successful partnership.

What's with all the Acronyms?

There are many professional credentials that represent various levels of education and experience. Ask advisors what their credentials mean and what they did to earn them (and to keep them!).

Some of the more common qualifications you may encounter include: CFP®, Certified Financial Planner; CFA®, Chartered Financial Consultant; AIF® Accredited Investment Fiduciary. For information on the many financial professional credentials, visit [Understanding Financial Professional Designations](#).

Background and Experience. Ask about education, employment history and credentials. Does the advisor have prior careers or experiences that may add value to their advice? What does the advisor do to keep up to date with the latest developments in their profession?



Services. Does the advisor work alone, or will you be working with a team? Are your needs fairly typical of what the advisor sees, or will your situation require special consideration? Ask about strengths and weaknesses. Where does the advisor add the most value? How do they address financial issues that are

outside of their expertise? There are no right or wrong answers, but the responses will help you determine whether there is a good fit between your needs and the strengths of the advisor.

Investment Management. If a firm will be managing your investment assets, where will those assets be held (custodied)? What investment managers and mutual funds can be accessed for your accounts? Be wary if an advisor seems to have limited investment choices, or uses investment products offered by a single company. Ask for an explanation of management style, investment philosophy, and fees. Your comfort level with and understanding of these issues is extremely important. If information is not delivered in a way you can understand (in plain English!), the crucial element of clear and open communication may be missing.

The Performance Trap

The financial press is full of advertisements boasting of superior (often short term) performance on the one hand, and confusing, conflicting economic news on the other. This leads many investors to make emotion-based short-term investment decisions that actually reduce the probability of achieving good long-term performance.

Continued on Page 3

Remember, high potential returns go hand-in-hand with high levels of risk—those assets that advertise amazing returns can also produce breathtaking losses. If you take on more risk than you can tolerate, you may be led into a vicious cycle of buying high and selling low. Any evaluation of superior performance must therefore be done within the context of assessing the risk involved.

An experienced advisor can explain performance information within the context of risk, and help you to set realistic and reachable financial goals based on your circumstances and risk tolerance. An advisor who has a full understanding of how you are likely to react to volatility in the market, both up and down, can guide you through a process that leads to a well diversified portfolio with the right balance of high risk and lower risk assets. The goal should be superior risk-adjusted return—achieving the highest possible return for a given level of risk.

Ask the advisor to share their thoughts on performance—how do they define it, measure it as it relates to your investment plan, and communicate about it to their clients? The answer should have less to do with claims of outsized performance, and more to do with how you can achieve your goals without taking on unnecessary risk.

The “Values” Proposition

According to the Social Investment Forum’s 2010 Trends Report, over \$3 trillion in assets under professional management in the United States are invested using a “socially responsible investing strategy.” The report points out that “Since 2005, SRI assets have increased more than 34% while the broader universe of professionally managed assets has increased by only 3%.” This growth means there are more investment options available. It also means that more advisors are offering these strategies, with sharply varying degrees of expertise and commitment.

Investors seeking to integrate their values with their investments need to ask more questions to find the “right” advisor. Those who lack experience with or commitment to this specialized area of the financial services industry are not likely to have the necessary expertise to help you accomplish your integrated goals.

Ask the advisor how long and why they have been involved in socially and environmentally conscious investing. How do they keep updated on the many complications and changes that are inherent in the integration of values with investments?

What access do they have to screened investment strategies? What can they tell you about shareholder advocacy

[Continued on Page 4](#)

Key Question: Are You a Fiduciary?

Federal and state law requires that all Registered Investment Advisors be held to a Fiduciary Standard. A fiduciary is someone who occupies a position of special trust and confidence with the responsibility of always acting in the best interests of their client. A fiduciary must disclose any conflict, or potential conflict, to the client.

Stockbrokers are only required to ensure that the investment they recommend is suitable for the client. Such “suitability standards” reflect a substantially lower standard of care as it relates to the legal relationship between advisor and client.

Advisors who meet the fiduciary standard will be paid by you only for advice and ongoing investment management. Commissions create significant conflicts of interest, which are largely eliminated in a fee-based relationship. First Affirmative is paid fees for services, clearly disclosed and agreed upon upfront, and always serves in a fiduciary capacity.

Individual securities selection and portfolio construction require highly specialized skills and are very time consuming. Many advisors choose to delegate day-to-day securities analysis and selection to experienced portfolio or investment managers. Advisors who are members of the First Affirmative Financial Network often delegate portfolio management responsibilities to First Affirmative. The advisor can then concentrate on their role as investment fiduciary, providing ongoing oversight to ensure that the investment plan is meeting client goals, and assisting the client with other financial matters.

Crucial Role of the Custodian: Safeguarding Your Assets

The custodian is a third-party financial institution that holds your assets in an account for safekeeping. They typically arrange settlement of any purchases and sales of securities, collect dividends and interest income, and provide statements showing activity and status of your account. Such statements are delivered directly to the account holder by the custodian.

Investment managers and advisors are not typically the custodian, and only have limited access to your account to place trades on your behalf and to collect their fees. Separating the custody and management functions provides protection from fraudulent activities by giving you the ability to verify that all transactions in your account are accurate and appropriate.

and community investing? Do they have a social policy questionnaire to help you determine what screening criteria you want to incorporate into your portfolio? You may want to discuss how the advisor manages situations in which a client's values differ substantially from their own—it is your values that should characterize your portfolio.

Beyond Facts and Figures

The most important part of the discussion may be after all of the basic questions have been answered and the interview deepens into a give-and-take conversation. The advisor will want to find out what brought you to their office. While your reason may on the surface be a specific financial event or challenge, clients are often looking for something more—a trusted advisor that will help them navigate their financial lives.

Experienced advisors with established practices do not take all comers. They have successful long-term relationships with many other clients—relationships that are of great benefit to the client and professionally and personally satisfying to the advisor. They seek new clients with whom they can develop a similar rapport, for the long-term.

A good advisor will have confidence in their ability to quickly discern whether the “chemistry” is right. Ask the advisor to describe their best clients, and why those relationships are so successful. What does the advisor bring to these relationships? What do the clients bring? A good advisor will not hesitate to tell you when s/he believes that the best person to help you may be someone else.

Trust Is Key

Trust—in your advisor and in yourself—is essential. Of course, trust is something that can only be developed over time, but you need to feel comfortable disclosing detailed personal and financial information with your advisor—investment history, spending and saving habits, personal goals, emotional issues around money, and attitude towards risk. If you do not sense that you can develop a rapport with an advisor that will allow you to communicate openly and honestly about these issues, you should continue with your search.

As you conduct your interviews, trust yourself to ask the right questions and gather the information that you need to make a good decision. You may find several well qualified advisors by assembling the facts, but finding the right advisor may come down to trusting your judgment about the more qualitative, chemistry related elements of what you see and feel during your interviews. Remember, the best advisor-client relationships are for the long term.

Holly A. Testa, AIF® has been affiliated with First Affirmative in a number of ways over the years as a business development consultant and Investment Advisory Representative. She currently manages the increasingly active Shareowner Advocacy Program.

*To access a PDF or web page version of this article containing live links to the **additional resources shown in bright blue**, please visit www.firstaffirmative.com/resources-news/publications.*

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