Questions to ask a Financial Advisor

"By failing to prepare, you are preparing to fail" – Benjamin Franklin

Below is a list of questions to ask a financial advisor to gain insight and see if you are a match to work together. Also, we have provided what we feel are some acceptable answers/insight. **The second page of this document is how we would answer each of these questions.**

1. **Are you a fiduciary?**
    - The only acceptable answer here is yes. A fiduciary is a person/organization that acts on behalf of another person/organization, putting their client's interests ahead of their own.
2. **How do you get paid?**
    - The best answers will either be that they charge a percentage of assets to manage your money or charge a yearly consulting fee. You want to avoid an advisor whose income source is primarily coming from product companies since they might be driven by sales. This will help alleviate a conflict of interest.
3. **Do you provide financial planning services in addition to investment guidance?**
    - Ideally, you will want to find an advisor well versed in the entire financial planning process. There is more to reaching your investment goals than just investment performance.
4. **Explain your investment philosophy.**
    - You would be surprised by how many advisors don't have a real investment strategy that they adhere to. Most advisors simply do not spend enough time learning and researching to formulate a solid plan. That is why so many advisors simply try to match an index; it's easy to understand and requires little effort from the advisor. It's also possible that an advisor outsources the investments to a third-party money manager. There isn't necessarily anything wrong with outsourcing but understanding that the advisor isn't making the investment decisions. This also raises the question of what you should pay the advisor. If an advisor cannot describe their investment strategy, they do not have one.
5. **Walk me through how your strategy adjusts to market downturns.**
    - See the quote at the top of the page. There is no magic crystal ball out there, but there are prudent ways to manage risk. Many advisors believe in buy and hold strategies, and truthfully, there are solid buy and hold strategies out there. Still, as an investor, you need to be okay with sitting through significant drawdowns if you adhere to a buy and hold strategy. We believe in an active process to help manage risk. The biggest takeaway is that you have a plan and stick to it.

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How we would answer these important questions

1. **Are you a fiduciary?**
   - Yes, our firm The Wealth Advantage Group works in a fiduciary capacity. Our clients' best interests are always at the forefront of our decision-making process.

2. **How do you get paid?**
   - We charge a percentage of assets that is based off each clients' household account size. We have a breakpoint schedule that goes down as client account values increase.

3. **Do you provide financial planning services in addition to investment guidance?**
   - Absolutely we do. Investment performance is significant, but it is not the only piece of the puzzle. We also focus on retirement planning, financial plans, wealth accumulation, legacy planning, educational funding & life insurance when there is a need for it.

4. **Explain your investment philosophy.**
   - We utilize a Quantitative Tactical approach. That is a very fancy way of saying that our systems are completely driven by math and process while adjusting to changing market conditions. Our mission is for the investment models to perform three main functions:
     1. Capture upside when momentum is on our side.
     2. De-risk when momentum is not on our side.
     3. Most importantly, altogether remove emotions from our process.

     We have three separate systems that we use for our models. Each is dedicated to a distinct aspect of the investment universe (equities, bonds/alternatives, and market risk). We would be more than happy to walk you through our process if you are interested in learning more.

5. **Walk me through how your strategy adjusts to market downturns.**
   - Several factors move the market. We have broken it down to the four main elements that we feel are the most important. We continuously analyze each of those elements through multiple data points to provide our client models' risk level. That data guides us to assess where we are in the current market cycle to help mitigate risk. We already have set parameters for when we are going to de-risk and when we will increase risk.

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