

THE ULTIMATE GUIDE FOR CHOOSING FINANCIAL ADVICE

BY PAUL SYDLANSKY, CFP®



LAKE ROAD ADVISORS

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YOUR GUIDE TO FINANCIAL ADVICE

Thank you for downloading/requesting this whitepaper. In doing so, you're ensuring that the choices you make for seeking financial advice are sound and well-informed. The goal here is for you to come away with everything you need to know in order to hire an advisor who's best suited to address your unique financial needs. Especially now in our uncertain political climate, consumers need to educate themselves more than ever.

Within this whitepaper, you will find information about distinctions between financial advisors and important details to look for when seeking out financial advice. There is no shortage of financial guidance available to investors at all income levels, but it's important to understand which type of financial help is right for you.

Read on to learn the 5 steps to take to find the right type of financial advice.

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STEP 1

WHY YOU WANT A FIDUCIARY



Fiduciaries are bound to choose the best course of action for their clients, which means putting aside any other considerations so that conflicts of interest are minimized. Only your interests should count - it's what you're paying for.

Many consumers assume that all financial advisors adhere to the fiduciary standard, but that is not the case. For example, broker-dealers simply adhere to the "suitability standard," which requires them to find products that suit your need, but these products don't necessarily make the best choices, choices that are in the best interest of their clients. A lawyer and doctor must act in your best interest, but it's not the same for all financial professionals.

As an example, a broker could sell you an investment that may be suitable, but not the best, because the commission they earn could be higher for one type of investment product over another.

Regardless of whether an investment is best or simply suitable to help you reach your financial goals, a broker can be incentivised to recommend the financial product that offers him or her the highest payout.

When it comes to your financial well-being, working with a financial professional who is a fiduciary is one of the first details that an investor should seek.

Lake Road Advisors is a Registered Investment Advisor and a fiduciary, which means:

- **We became a fiduciary before it was legally required**
- **We always act in the best interest of our clients**
- **With or without the DOL Rule, we will continue to act as a fiduciary in the future**



STEP 2

FINANCIAL DESIGNATIONS



What's the first thing you notice about a financial professional? All those letters after his or her name.

Credentials are good, but it's important not to be dazzled by the ones that signify something you don't need.

At last count, there were over 100 different types of credentials acknowledged by the Financial Industry Regulatory Authority (FINRA).
(2)

Visit FINRA.org for a complete list of financial designations.

www.finra.org/professional-designations

Five common designations are:

- 1. CERTIFIED FINANCIAL PLANNER™ (CFP®)** holistic approach, comprehensive financial planning, held to the fiduciary standard, offers overall financial planning services
- 2. Chartered Financial Analyst (CFA)** Investment focused, usually held by investment managers, offers research and portfolio management
- 3. Certified Public Accountant (CPA)** Specializing in tax, offers tax services
- 4. Chartered Life Underwriter® (CLU)** Insurance specialist, offers life insurance
- 5. Chartered Financial Consultant (ChFC)** alternate to the CFP® and does not require candidates to pass a comprehensive board exam, offers financial planning services



STEP 3

WHAT ADVISORS DO AND WHAT THEY SELL



When it comes to the services they offer, financial advisors fall along a clear spectrum. Some offer investing advice or do your taxes for you. Some sell insurance. Their services are narrowly defined along specific financial tasks. It is often very hard to understand what they will do for you specifically from just their title.

Unlike designations which allow you to understand background and knowledge level, financial professionals are allowed to call themselves anything. Here are just a few: Financial advisor, financial consultant, financial representative, investment advisor, investment manager, insurance agent, investment representative, and account executive.

This is why it is critical that you ask these questions:

- **What do they do and what type of service will they provide?**
- **Is it just investment advice?**
- **Will they help you with cashflow?**
- **Will they do your taxes?**

It should be clear what value they bring to you!



STEP 4

UNDERSTAND THE DIFFERENT TYPES OF ORGANIZATIONS



Another important distinction to recognize is between an RIA and a Broker-Dealer.

1. Registered Investment Advisor (RIA). RIA's can be registered with the SEC or the state. As such, they must adhere to certain standards of conduct according to the Investment Advisers Act of 1940 (including the Fiduciary)(4).

2. Broker Dealer. Technically, broker-dealers are not considered advisors. Therefore, they are not subject to the same levels of professional conduct as RIAs. They have traditionally sold securities on commission, but can also offer fee-based investments

3. Hybrid RIA. Hybrid RIA's are dual-registered advisors/firms who operate on a hybrid system for charging their clients: both fee- and commission-based systems(3). They act as RIA's, but in addition offer commission-based products.

4. Insurance Companies. They sell insurance and get paid by commission. They they can also sell financial planning and investments, but you will want to know where their expertise lies.

It's important to note that not everyone needs an RIA. There are other financial professionals who adhere to the fiduciary standard and who can provide the financial service you seek. Anytime you are considering a financial professional, just be aware of the specialty that they can offer and fully understand any and all conflicts of interest.



STEP 5

HOW ADVISORS ARE COMPENSATED



You can tell a lot about an advisor from the way he or she charges customers. It's in your best interest to work with someone whose incentives are most aligned with yours, not an advisor who could be compensated for recommending a less than optimal solution for you.

THE MOST COMMON WAY ADVISORS ARE COMPENSATED

Commission-Based Advisors.

Insurance agents and some advisors earn commissions when they're able to sell policies or other financial products like securities. Their employer pays them a commission based on sales, so it's only natural for them to derive incentive from their employer, not from their clients.

Fee-Only Advisors. These financial advisors earn income by charging their customers a fee for services only. They are not compensated any other way, such as through commissions or by an employer. Therefore, incentive originates with the customer, and nowhere else.

How To Tell For Sure. Ask to see an advisor's Form ADV. If your advisor is an RIA, they will be required to file a Form ADV on a yearly basis. On this form, they're required to disclose their fee schedule, conflicts of interest, and educational background, among other important information(5). You can also search their database for any advisor you're considering.

Are they a Fiduciary?

In general, commission-based financial advisors are not fiduciaries. Fee-only advisors are more likely to be fiduciaries. RIA's are always fiduciaries, as they are bound by the Investment Advisers Act of 1940.

What's the difference between Fee-Based and Fee-Only? Fee-Only advisors get paid solely by their clients on a flat fixed fee. On the other hand, Fee-Based advisors may receive fees from their clients in the form of fixed fees or assets under management, but may also have revenue-sharing agreements with financial institutions. These agreements would be with investment providers who provide commissions to the advisor.

Professional Affiliations... NAPFA and FPA. One way to ensure that you're hiring a fee-only financial advisor is to see if they're a member of the National Association of Personal Financial Advisors (NAPFA). This organization advocates fee-only financial services and as such, their members adhere to that payment system.

Another professional organization to use as a resource is the Financial Planning Association (FPA). This is the main professional organization for Certified Financial Planners®. They too maintain high levels of ethical conduct, complete disclosure, and other customer-centered standards of professional behavior.



RECAP

When it comes to choosing the right type of financial advisor you must first understand the landscape.

Here are the questions you should be able to answer after speaking with a potential advisor:

- **Are they a fiduciary?** (*When looking for comprehensive financial advice, this should be mandatory!*)
- **Does his or her background and designations align with your needs?**
- **What services do they provide? Do they sell advice or products?**
- **What type of organization do they work for?**
- **How are they compensated?**

Next, ask yourself what do you need help with?



NEXT STEPS

Now that you better understand your options when it comes to selecting the right kind of financial advice for you, your next step is to take action.

If you have determined that you are seeking a financial tool that can help you manage a small portfolio, look into robo-advisors. These platforms work well for the new investor who is just starting out and wants to start investing assets in a diversified and managed portfolio. You can view [The Best Robo-Advisors: 2017 Top Picks by Nerd Wallet](https://www.nerdwallet.com/blog/investing/best-robo-advisors) (<https://www.nerdwallet.com/blog/investing/best-robo-advisors>)

If your finances have become too complex to manage on your own, this signals a good time to begin looking into a CERTIFIED FINANCIAL PLANNER. You can search for one in your area by visiting www.letsmakeaplan.org and www.napfa.org.

And you can always reach out to us at Lake Road Advisors to discuss your personal financial situation in more detail and see how we may be of service to you. As an independent fee-only financial planning firm, we would be happy to see how we can help.

[Go Here to Schedule
Time to Speak With Us](#)

ABOUT PAUL SYDLANSKY

Paul founded Lake Road Advisors, because he believes there is a less complicated, transparent method to provide financial planning services.

He is a CERTIFIED FINANCIAL PLANNER™ and helps families and small business owners create clear paths to achieve their goals. Paul earned an MBA from New York University.

Paul lives in Upstate New York with his loving wife and three children.



RESOURCES

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