10 Questions to Determine if Your Advisor Meets Standards

CARSON PARTNERS

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The long game of finance is a team – not an individual – sport. Your team of professionals – from your advisor, to your insurance providers, to your bank – should be going to work for you. But how do you know if you're receiving the value you should from your financial advisor? Answer these 10 questions to find out.

1 Has your advisor helped you update your will, trusts, beneficiaries or health care power of attorney in the last year?

The SECURE Act passed at the end of 2019, followed by the SECURE 2.0 Act, drastically changed the rules for inherited retirement accounts, requiring many accounts to be reviewed in light of the legislative changes.

- ☐ **YES**
- ☐ **NO**

2 Has your advisor discussed your long-term care funding strategy?

Long-term care is roughly $100,000 per year for nursing home costs in retirement, which can be a large unfunded risk for many retirees without a plan in place. (Genworth Cost of Care Study)

- ☐ **YES**
- ☐ **NO**

3 Has your advisor discussed the new tax planning and small business owner planning provisions from the CARES Act and SECURE Act 2.0?

The government opened up trillions of dollars in relief with the CARES Act in 2020 and with the SECURE Act 2.0 but many provisions require proactive planning.

- ☐ **YES**
- ☐ **NO**

4 Has your advisor stress tested your investments in the last year to make sure you are taking on the right amount of risk for your situation?

Risk capacity can change over time, so your investments need to be reevaluated to make sure you are not taking on more risk than you need to achieve your desired results.

- ☐ **YES**
- ☐ **NO**

5 Has your advisor reached out to you more than two times in the last year to check on you, your financial plan, or discuss the overall situation?

Many people want advisors who are watching out for them throughout the year and have numerous touch points during a year – not just a single annual meeting to check the box.

- ☐ **YES**
- ☐ **NO**

6 Has your advisor discussed life insurance with you to make sure you have the right type and amount of insurance?

Many professionals say they are advisors, but they are really insurance salespeople who get paid a commission for the sale of a product rather than getting paid for providing advice. Make sure your advisor is looking out for your best interests and reviewing the products you have, not just selling you what pays them the most commission.

- ☐ **YES**
- ☐ **NO**

7 Do you have in writing that your advisor acts in your best interest as a fiduciary?

Not all advisors are required to act in your best interest as a fiduciary advisor. If your advisor won't put in writing that they will act in your best interest, they likely owe a duty to their company over you. The real question is: What do you want your advisor's priority to be – you or their company bottom line?

☐ **YES**

☐ **NO**

8 Has your advisor discussed tax-loss harvesting with you this year, which allows you to potentially reduce taxable gains by selling other investments when they are down?

Tax-loss harvesting can save thousands in taxes when done strategically. However, many advisors just review this planning once a year instead of on an ongoing basis. When the markets are volatile, it is important to keep an eye on tax planning strategies – not just once in an annual meeting.

☐ **YES**

☐ **NO**

9 Has your advisor discussed Roth conversions for your retirement accounts this year?

Many retirees could benefit from doing strategic Roth conversions, where you convert IRAs to Roth IRAs, since tax rates were lowered for many Americans after the passage of Tax Cuts and Jobs Act in the end of 2017. This is also advantageous during a down market.

☐ **YES**

☐ **NO**

10 Has your advisor provided you a written, comprehensive financial plan?

Clients with comprehensive written plans are more likely to be retirement literate than those without a plan in place. Don't be out of the know, make sure your advisor is providing a written, comprehensive plan for you. (Journal of Financial Planning)

☐ **YES**

☐ **NO**

Results

Financial advisors should be held to a high standard. After all, your goals and future depend on it.

Count the number of times you answered "yes" to the 10 questions to determine how your advisor holds up.

1-4: Inadequate

If your advisor meets less than half of these points, chances are you're not receiving the value you could from a fiduciary. It's likely time to find a new advisor.

5-7: Below Standards

If your advisor falls in this range, chances are you are not in an ideal situation. Talk to your advisor about where you believe there are shortcomings or find a new advisor.

8-10: Meets Standards

Your advisor should fall in this range. Advisors who meet standards should be proactively communicating with you, act in your best interests and help you improve your plan – not just maintain it.

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