

FIVE QUESTIONS YOU MUST ASK FINANCIAL ADVISERS

Jill Schlesinger, editor at large for CBS Moneywatch.com, says there are five questions you must ask any financial advisor in your life, from your fiduciary to your broker to your local insurance salesman. These are the answers you can't live without when you are looking to use your money safely. She spelled them out on *The Early Show* on Monday, May 25, 2009.

One of the important things to stress about these questions is that some of them might seem confrontational and uncomfortable, but this is your money we are talking about, and in this economy you cannot afford to do anything with your money without the proper information:

Understanding finance can be a daunting process. It's hard to understand the ins and outs of where your money is, where it is being invested and why. And it seems like all of us have a lot of financial advice in our lives, from our families to our brokers, financial planners, even our insurance salesman. It's important that when you form relationships with any financial professional or just casual advisor that you ask the right questions to educate yourself. We have a simple system of five vital questions that you can ask any of these people in your life to get straight forward and important answers. In some cases, the answer is important, and in others, HOW they answer the question is important. With financial matters, trust should be earned, and these questions will help you see if you are on the right path.

A couple of pieces of advice before the questions-1-TRUST YOUR INSTINCT. Chances are if you are uncomfortable with the advice you are being given, that your gut is correct. This is your money we are talking about, and with the economy as volatile as it is, you want to hold on to every penny. This means asking some tough questions and educating yourself. But if it doesn't feel right, chances are it isn't. 2-MAKE YOURSELF UNCOMFORTABLE. Money makes a lot of people uncomfortable, and some of these questions might seem confrontational. In fact, you may find out the answers to these you might want to pick another candidate to handle your money. That's ok-this is about money, NOT feelings. So if you offend the person you are questioning, that tells you everything you need to know. People who do not want their customers to have real answers are not the best people to be handling your money.

QUESTION 1-

1) What is your training in this subject matter?

This question essentially asks you as the consumer to consider the source. Is this your brother in law or your uncle just trying to impress you with their financial expertise? If you feel that this advice comes with some self importance, chances are you need to take the advice with a grain of salt.

If you are dealing with a professional, there are a few things to consider. First of all, did the person you are talking to go to school for this? If the answer is yes, great. If the answer is no, tread lightly and take care. Also, is the professional you are speaking to a CFP or a CPA? A CFP is a Certified Financial Planner. They are going to help you look at the big picture of your finances and help you reach your dreams. It's a slightly more rigorous title A CPA is a Certified Professional Accountant. That means that this person can help you with your money when it comes to a specific mutual fund or stock house. So their expertise is specific and directed. So when it comes to advice from them it is often best to keep them on topic with what they know best.

Next thing to consider if you are dealing with a professional is whether or not they are a broker or a fiduciary. There is a big difference there. A broker is NOT required to think of the customer's needs first. Their job is to sell you on something. It is a self regulated profession. A fiduciary is someone who HAS to look out for the customer's interests FIRST. The SEC regulates fiduciaries and keep a tight leash on what they do. So if you are dealing with a broker and not a fiduciary, tread lightly. They are getting something from selling you on something.

QUESTION 2-

2) How much are you getting paid for making this recommendation?

This question may be tough to ask, but it IS important. And in the case of this question, the answer is not so important. What is important is how they answer. So pay attention to the simplicity, the smoothness and the rapidity of the answer. Stuttering and long pauses are not a good sign. The answer should be straight forward and honest, transparent. If you sense that something is off with the answer here, chances are you are correct. Again, trust your instinct. Very little in this world is something for nothing, you are just trying to get the straight answer right up front.

QUESTION 3-

3) Are there cheaper ways to do the same thing?

There are often cheaper solutions to the proposals that come from financial advisers, but they probably will not tell you if you don't ask. Often, it costs financiers or salesmen money to sell you on the cheapest alternative. So be aware that you often have more options than are presented to you at first. And again, even though this might seem like a tough question to ask (it has the tone of distrust), it's an important question and the answer will often surprise you.

QUESTION 4-

4) If this reasoning proves wrong, how much am I at risk?

This question assesses one of the most important aspect of any sale or investment-RISK. What you are really asking the person you are talking to is what do you honestly think? And it also asks them what they will do if they are wrong about their predictions. When you ask this question you want the person you are asking to have back up plans, different strategies in case things go astray. Money is unpredictable and you want to make sure you are protected as much as possible. How much risk are you going to incur if this person turns out to have bad advice?

QUESTION 5-

5) Why do you think this investment is such a good idea? Explain it to me.

This question is important because it makes the person you are talking to lay out their ideas in a clear and linear fashion. Does your insurance salesman want you to buy a massive life insurance policy? Ask him to explain from A to Z why it's important. Why does he feel this is the right plan for you? If you don't understand, chances you are right. When things sound really confusing, it often means there is a hidden subtext, or that you aren't getting the facts given to you straight. This is not a good sign. Again, listen to your instincts. If doesn't sound right, chances are it isn't.