

## Retirement Decisions – How to Interview a Financial Advisor Instilling Confidence; Inspiring Life

Every day I talk to individuals in my office considering retirement with all the options offered and decisions they have to make. They are referred to me by fellow workers, friends, tax advisors or they just know me from all my years in the Lake Jackson area. A few of them have asked how a person is supposed to find a financial advisor to help them. I think that is a good question and I will use this space to answer it.

You can find financial advisors listed in the phone book; in your bank; in your insurance company; in your civic/social organization; in your school/college; in your church; from your tax advisor and on the internet. Do a background check on a financial advisor by visiting [www.brokercheck.finra.org](http://www.brokercheck.finra.org), look for disclosures.

Let me make this clear from the very beginning, **all financial advisors are not the same**. Financial advisors differ in years of experience, investment philosophy, practice, how Advisors are compensated, accreditations, purpose. A lot depends on the firm the advisor has chosen to support them. At Baird we have the freedom to focus on what is most suitable for our clients. Each client has different needs and requires personalized service. Finance is not a second career for us, it is our passion.

Let me expand on these differences.

### ➤ **Years of Experience**

If you had to have a major surgery would you ask the Doctor how many of the major surgeries he has performed? Of course you would. The same applies to going to interview a financial advisor, ask them how long they have been an advisor and if they specialize in helping people in their retirement. Think about it, advisors hired after 2008 have not seen or experienced a major market downturn. You can also ask them the amount of assets under management and if they would mind providing a few references.

### ➤ **Investment Philosophy**

An investment philosophy is a set of beliefs and principles that guide an investor's decision making process. My philosophy is to make investment and cash flow recommendations consistent to the risk tolerance and investment objectives of the investor. I prefer owning stocks or mutual funds that invest in the defensive sectors like utilities; telecommunications; healthcare; food and energy. These sectors tend to make profits in an up or down economy. These sectors also tend to pay 2-4% dividends that provide cash flow. I use short duration, floating rate bonds to balance portfolios and as a source of income for monthly distributions. High yield bonds provide good income in portfolios that require higher cash flows. I follow an old adage that says buy good stocks, bonds and mutual funds and hold them. When valuations decline it is important to understand a client's comfort zone and discuss any portfolio adjustments.

### ➤ **Practice**

Advisors work for banks and often are required to show clients bank products; other advisors work for insurance companies and are required to show clients insurance products; other advisors work for an employer and do advisor business on the side. I have invested 38 years establishing a philosophy, instituting a planning strategy and perfecting a "**Live**" process for my clients.

My "**Live**" Process...

**Listen** – I listen as you talk. Our relationship is built on trust and me listening to your dreams.

**Identify** – I work with you to identify financial goals and cash flow objectives.

**Values Time** – I recognize and respect the precious value of time. My communication with you is based on your instructions. My ongoing management and oversight is proactive to keep you informed and updated. A periodical review is important.

**Exclusive** – My solutions will be exclusive to your family and circumstances.

### ➤ **How Advisors are Compensated**

Investors have choices for how they pay for investment advice and the brokerage accounts they prefer. The brokerage accounts differ mainly on banking functions available via check writing, debit cards, direct deposit and Epay. The accounts offering the most services have higher fees. Brokerage firms offer incentives to households above certain levels to reduce the fees.

The 2 ways investors pay for investment advice can be narrowed down to the traditional commission-based account and the fee-based account. We can look at these account choices in a simple comparison and investors can determine which best fits their investment needs.

#### Traditional Commission-Based Account

Fees are based upon trades made in securities in the account. Such fees would include stock and option commissions, mutual fund sales charges, unit trust sales charges, etc. Any fees are paid when the trade (buy or sell) occurs with the commission being added to or subtracted from the principal amount. A “buy and hold” strategy could result in low costs for investors.

#### Fee-Based Account

Fees are based upon certain assets held in the account. Such fees could exclude money held in money market or cash and certain fixed income securities. The fees are paid in advance (quarterly) based on assets in the account times a percentage you have agreed to pay with the brokerage firm. The fees are subtracted from the money held in the account. A “trading” strategy could result in low costs for investors.

This simple comparison is meant for education purposes and not to indicate that one account is better suited for an investor over the other. Advisors consider the overall needs and objectives of the investor, the anticipated trading activity, account size and costs before recommending either.

### ➤ **Accreditations**

(CPWA® - Certified Private Wealth Advisor; CFP® - Certified Financial Planner; CRPC® - Chartered Retirement Planning Counselor)

Investors see financial advisors with different accreditations after their name and wonder what they mean. Ask the advisor to explain. Accreditations are important because they show that advisors log continuing education hours to stay on top of industry rules and regulation and understand investment products and strategies. They also can show that advisors may specialize in a certain field.

### ➤ **Purpose**

My purpose (why I do it) is just as important as the process, maybe more so. If you look around our community you see accountants, attorneys and doctors that work well past age 65, why? It is all about the relationships we have with our clients. As professionals we work with client families, their children, and their children’s children as trusted advisors. We provide a valuable service that our clients trust and need, so we keep working to be there for them. That is why I do what I do. It has been very rewarding and I plan on working another 15-17 years, God willing.

Understanding that all financial advisors are not the same and knowing the ways that differentiate financial advisors will educate and better prepare you; giving you more confidence in making decisions for you and your family inspiring you to move to the phase of life where you truly “live” it.

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