

HOW TO FIND A FINANCIAL ADVISOR IF YOU'RE NOT RICH

Here are the options for middle-class investors seeking financial advice.



By: Coryanne Hicks - December 15, 2022

Financial advice isn't just for the wealthy.

In fact, the right guidance early in your financial life can have the biggest impact on your long-term success.

"Most wealthy people begin their financial journey as people with lower wealth," says Peter Casciotta, owner of Asset Management & Advisory Services of Lee County in Florida.

Many financial advisors, however, aren't interested in working with the middle class.

In recent years, firms have stopped paying commissions to brokers for accounts that are considered small, including accounts ranging from \$100,000 to \$500,000 in assets. Firms that do take less than those minimums sometimes charge as much as 2% in annual fees, though 1% is more typical.

"Typically, when you are looking for someone to help with planning, your asset level should be around \$250,000, as most professional programs begin at that amount," says Brandon Reese, senior wealth advisor at TBS Retirement Planning. "There are, however, lots of new programs to help with lifestyle planning at lower levels – when the advisor charges either a subscription fee monthly or annually."

So what should a middle-class investor do to find a good financial advisor? Experts recommend understanding these elements of the financial advising industry:

- How much will a financial advisor cost you?
- How do financial advising fees work?
- Where to look to find a financial advisor near you.
- Things to consider when finding a local financial advisor.
- What questions should you ask?
- How do you avoid getting scammed?

How Much Will a Financial Advisor Cost You?

Financial advisors typically charge fees based on how much money you have with their firm, called assets under management, or AUM. The industry average is around 1% of AUM per year, although some firms can go up to 2% per year. This fee is typically deducted from your accounts on a quarterly basis. So if you have \$250,000 with an advisor charging 1% per year, you can expect to pay \$625 every three months.

How Do Financial Advising Fees Work?

Many firms will have a sliding scale for their fees. The more assets you have with them, the lower their fee. So while 1% is the average for \$1 million accounts, smaller balances may pay closer to 1.2%, on average. Larger accounts could pay 0.4%.

Other fee-only advisors may charge an hourly or per-project fee. Meanwhile, commission-based advisors receive commissions from the investments they sell. Some advisors, known as fee-based advisors, charge both a fee and commissions.

Some advisors include financial planning in their fees for managing your investments, while others charge a separate fee for advice. As for how much you'll pay, it will vary depending on where you live and the scope of the work you're requesting. Some advisors may charge a couple thousand dollars for a comprehensive plan. Others may charge around \$100 to \$400 an hour to dispense financial advice.

Stephanie Genkin, founder of My Financial Planner LLC and a certified financial planner in Brooklyn, New York, charges hourly – as opposed to by AUM. Most fee-only advisors charge according to assets and therefore have minimum thresholds an individual needs to have in their investment account before they'll even consider the person as a client. How much is the minimum? It varies, of course, but often you'll need at least \$50,000 before many advisors will consider working with you.

"That means many middle-class people are automatically excluded from service, as they don't have enough in investments to manage," Genkin says.

Where to Look to Find a Financial Advisor Near You

There are several places to look for a financial advisor near you:

- Use an online advisor search. U.S. News has an online database of financial advisors across the country. You can use the search to find advisors in your area and learn more about their specialties and experience.
- Ask friends, family or colleagues for recommendations. You'll be more likely to find somebody who will work with you if your friends, family members or colleagues are in a similar tax bracket as you. Casciotta suggests asking about the services they received and if their expectations of the advisor have been met.
- The Garrett Planning Network. Garrettplanningnetwork.com offers a map of the United States where users can click on a state and find a list of financial advisors who cater to the middle class.
- The National Association of Personal Financial Advisors. The association's website, nafa.org, allows you to find a financial advisor near you.
- XY Planning Network. The network focuses on advisors who work with Generations X and Y. You can search by location and specialty on the network's website xyplanningnetwork.com to find local fee-only advisors.
- The CFP Board. The CFP Board's website, cfp.net, can help you find local advisors with the certified financial planner (CFP) designation, which helps distinguish holistic planners from advisors who offer only investment management services.
- Robo advisors. You may want to consider an automated portfolio management service as a cost-effective option. For example, with Schwab Intelligent Portfolios, you don't pay advisory fees or commissions, though you will need \$5,000 to get started. Meanwhile, Betterment, another popular robo advisor, has no minimum account requirement and charges an annual advisory fee of only 0.25% on all assets under management. Once you have \$100,000, you can also access more premium features for a 0.4% annual fee.
- Search engines. This one may seem like a no-brainer, but the power of search engines can't be overlooked. Chances are a search engine is how you found your way here. So if none of the above prove fruitful, consider a quick Google search for "financial advisor near me" or "financial advisor for the middle class." If you know you want someone to help with financial planning as opposed to just buying and selling, you may want to include "fiduciary" in your search terms. This way, you'll be able to locate fee-only advisors and not commission-based brokers.

When considering cost, remember that an advisor's compensation is about more than just how you're billed. A fee-only advisor is a fiduciary, who won't be swayed by conflicts of interest, while an advisor who earns commissions may be incentivized to place you in investments that earn her the highest commission.

Fiduciary financial advisors are legally bound to put your needs before their own. A financial professional who has a suitability requirement is legally bound to provide products that are suitable for your needs, but they may not be the very best for you.

That doesn't mean somebody who upholds the suitability standard isn't going to look out for you – but it does mean that the rules for those advisors are less stringent.

Registered investment advisors, investment advisor representatives and certified financial planners all carry fiduciary-level responsibility. You can easily spot these titles on business cards, websites and email signatures. Chartered retirement planning counselor and accredited investment fiduciary are other designations that indicate a fiduciary responsibility.

When choosing a financial advisor, think about what services you're looking for. Are you seeking help with financial and retirement planning or looking for someone to help you buy and sell investments? If it's the former, you'd likely be better served by a fee-only advisor. With the latter, a commission-based advisor could help you keep costs down by not charging for unneeded services.

Things to Consider When Finding a Local Financial Advisor

There are a few things to keep in mind when looking for a local financial advisor:

- Firm size. Financial advisors can run their own small practice or be part of a larger firm. Neither type is necessarily better than the other, but it's worth thinking about which style may better suit your needs. For instance, larger firms can sometimes provide a broader range of investments and at a lower cost, while smaller firms may emphasize their style of financial guidance to differentiate themselves.

- Credentials. Anyone can call him or herself a financial advisor, so it's important to look at what comes after your advisor's name. What credentials or certifications does she have? What training has the advisor had?
- Expertise. An advisor's credentials can give you insight into her areas of expertise. For example, if an advisor is a certified retirement financial advisor, or CRFA, you can bet she specializes in retirement planning.
- Office type. Virtual financial planning offices have become more common since the coronavirus pandemic, but firms can offer varying degrees of virtual planning. Think about whether you'd rather meet with your advisor virtually or in person before choosing an advisor.

She also points out that you may not need many hours, at first, with a financial advisor. If you're just starting this journey, you probably have fewer assets, and you just need that initial guidance. By the time you need more help to manage your assets, you'll presumably have more money, and paying for more financial advice won't be as challenging.

"Financial advisors should be willing to invest 30 minutes of their time to listen and share either fundamentals, or proper insight to someone who is interested and willing to move forward methodically," Casciotta says.

He also recommends asking an advisor about his or her professional history and experience. "Ask the advisor to share with you their specific process or method they follow when providing guidance or recommendations to consider," Casciotta says.

Your wealth level shouldn't change the caliber of the services you receive. "People with lower wealth should have the same expectations of a financial advisor as people with wealth," Casciotta says. "Advisors have a code of ethics to abide by no matter the value or size of one's wealth."

How Do You Avoid Getting Scammed?

To avoid getting scammed, make sure to get references and check out everything you can find on the financial advisor online first. Reese says to check the advisor's licenses and record on BrokerCheck, the Financial Industry Regulatory Authority's advisor database, and the Security and Exchange Commission's Investment Adviser Public Disclosure database.

You can also check out the advisor on LinkedIn and ask for a copy of their Form ADV, which will show you any disclosures, such as conflicts of interest, they need to make, he says.

Keep in mind, almost everyone pays something when they hire a financial advisor – and not everyone is out to get you.

But after you find a financial advisor, you want to make sure you're in sync. You'll want to get a sense of whether your advisor has a financial philosophy that lines up with yours.

"One thing to be wary of is that the industry likes to use lower wealth clients to 'pilot' their new programs, which is not ideal, and also to try to sell something that gives them a one-time commission, as the annual revenue doesn't meet the advisor's minimum thresholds," Reese says. "So, it's important to set expectations with your advisor before jumping into that relationship and to make sure you are aware that a client at \$250,000 can't expect the same level of service as one at \$2 million."

And the most important question of all? "Ask how they can help you reach your goals," says Brett Anderson, a certified financial planner and president of St. Croix Advisors. He also suggests asking the advisor, "Based on my personal situation, would I be a good client fit for your firm?" If the answer is no, that's OK. Just keep searching until you find the right fit, he says.

And if you're anxious that you don't make enough money for a financial advisor to work with you, just tell the advisor upfront what you earn and about your overall financial health, Anderson says. Advisors may want to have a dialogue even before they schedule an initial meeting with you, he says. "Be honest. Just lay it all out. You'll save everyone time and, most importantly, you'll find the right advisor for you."

And the more time you save in looking for a financial advisor, the faster you can get started making your money work for you.

Read the entire article here <https://bit.ly/3jaOBQf>

Peter Casciotta is the owner of Asset Management & Advisory Services of Lee County in Cape Coral, FL. Peter follows sound financial planning processes that address the key areas of your financial life while taking into account your future desired lifestyle.

To contact Peter, visit www.assetadvisoryservice.com or call 239-356-1515.

Securities sold through CoreCap Investments, LLC. Advisory services offered by CoreCap Advisors, LLC. Asset Management & Advisory Services of Lee County, CoreCap Investments, and CoreCap Advisors are separate and unaffiliated entities. Investment involves risk and investors may incur a profit or loss. The information provided here is not investment or professional advice. You should consult with a licensed professional for advice concerning your specific situation.

