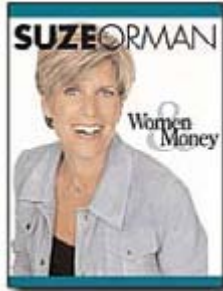


WOMEN & MONEY

What to look for in a financial advisor

BY SUZE ORMAN
Special To Florida Weekly



If you want professional help dealing with your finances, you need to know how to interview potential advisers. Most important, you need to make sure you put any potential hire through the “Three E” test: experience, expenses and execution.

Experience: Ideally, an investment adviser should have 10 years of experience. There’s a lot to be gained from someone with experience, especially given that the past 10 years have included a dramatic boom and an equally dramatic bust.

That’s a great opportunity when vetting an adviser: Ask them how they did from 1998 to 2000 and then from 2000 to 2003. It would be great if a potential adviser pulled out some client statements from the 2000-2003 downturn — with all personal information redacted — so you can see for yourself how the adviser had his or her clients positioned.

Expenses: The first expense you need to know about is how the adviser is compensated. You shouldn’t have to ask; a high-quality adviser will explain his or her fee structure up front.

Personally, I hate the commission setup — there’s too much room for a conflict of interest when someone needs to sell you products or trade stocks and funds in your account to make a living. I much prefer when payment is made as a set fee for consulting work (on an hourly basis, say) or, if someone will be managing your money, you agree to a fee that’s a percentage of your assets (typically 1 percent or so).

The other crucial expense conversation you need to have revolves around the types of investments the adviser uses. If you’re paying 1 percent for someone to manage your money and then another 1.5 percent or more in a mutual fund’s expense ratio, that’s a combined 2.5 percent to 3 percent in expenses that’ll be deducted from your gross returns.

In a market environment where 8 percent returns are seen as bullish, you’re potentially losing 30 percent or so of your returns to cover fees. If you’re paying someone 1 percent or more to manage your money, it should be invested in individual stocks. As for mutual funds, there’s no reason not to handle them yourself — it’s not too hard to build a diversified long-term portfolio with just a few index funds or exchange-traded funds.

That said, if you’re more comfortable working with an adviser, at least make sure she favors the lowest-cost funds. If you find out the adviser puts clients in funds with the letter B in the name — also known as “B shares” — that’s not a good sign. B-share funds have very high expense

ratios because part of the fee you pay is in fact a commission for the adviser/broker who sells you that fund. If you’re already paying an adviser 1 percent for your agreed fee, why agree to have her make more money off you by selling you B shares? That’s an adviser who’s not looking out for you.

Execution: If you’re hiring someone to manage your money, be very careful: No reputable adviser will ever ask you to write a check directly to him or her. Your money should be directly deposited at the firm — a brokerage or fund company — where your money will be invested.

If practical, it’s useful to visit an adviser at his or her office, where you can get a good sense of the operation in person. You obviously want to see an organized and professionally run office.

When you meet with a potential adviser, pay close attention to the questions she asks. This can be hugely telling. For example, if you’re married or living with someone, and only one of you is present at the meeting with the adviser, the adviser should insist that you reschedule for a time when both of you can be present. If there are joint investments and joint financial decisions to be made, a reputable adviser will insist on interviewing both parties. That’s the only way to devise a financial plan that works for both of you.

Even if you think all you need help with is investing, be wary of any adviser who’s willing to talk to you just about investing. A good adviser will start by giving you a thorough “workup” to make sure he or she understands your entire financial situation.

Staying Involved

At the end of the day, you have everything riding on your money, so stay involved with it. That means carefully reviewing your statements and making sure your adviser remains focused on what’s best for you. ■

— *Suze Orman is a best-selling author and Emmy award-winning TV host whose new book, “Women and Money,” was published in March 2007. For details, please visit www.suzeorman.com.*

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