

« Advisor Insights 

The Advisor You Need Versus the Advisor You Want



David Fabian | April 11, 2017

There isn't a perfect formula or roadmap for hiring someone to look after your hard-earned wealth. It's a unique journey that every investor must carry out based on their objectives and experience. It's about knowing the right questions to ask and identifying with a professional that understands his/her craft and who will put your interests ahead of theirs.

There is also a common blunder that many inexperienced investors will make when selecting an advisor to manage their portfolio. They have a checklist of the features they want rather than thinking ahead to the benefits they will truly receive. (For more from this author, see: [3 Unconventional Reasons to Hire an Advisor.](#))

Below are some hypothetical examples that many investors either knowingly or unknowingly search for in this process.

Things You Think You Want

- I want the advisor with the best track record.
- I want the advisor with the lowest fees.
- I want the advisor who has been in business the longest.
- I want the advisor who always agrees with my market calls.
- I want the advisor who is in the market when it's going up and out of the market when it's going down.

These points are noble attributes on the surface. However, they also lead down rabbit holes in the future that you may not want to visit.

The advisor with the best track record either took an asymmetric risk to get there or was simply in the right place at the right time for his strategy to outperform. Those same results may not be repeatable through every cycle in the future. In fact, they may now be setting up for a larger than expected spike in [volatility](#) if they have truly jumped far ahead of the curve.

Let's look at some other examples. The advisor with the lowest fees is going to also have the most minimal service profile. The advisor who has been in business forever is looking to retire or sell it. The advisor who agrees with your market calls is a "yes man" that is trying to hang on to the assets rather than do what's right. The advisor who promises to get in and out at the perfect times is [simply lying](#) to you.

This can be plainly juxtaposed by seeking out an investment advisor with characteristics that you can truly depend on and will add value no matter what the market does.

Things You Really Need

- You need the advisor with an investment philosophy you identify with. That way you won't abandon it at the worst possible time and understand the risk dynamics.
- You need the advisor who understands their investment tools. That way you aren't paying a salesperson to stick you in a product. You are paying a portfolio manager who understands the markets.
- You need the advisor who is honest with you and sets realistic expectations. Better to under promise and over deliver than setting impractical performance goals that can't be met.
- You need the advisor who will place their own money alongside yours. You wouldn't trust a chef that doesn't eat their own cooking, right?
- You need the advisor who will tell you when you are about to make a big mistake. This is critical. A huge value add for an advisor is ensuring you make sound financial decisions and avoid emotional triggers.
- You need the advisor who is fairly compensated and minimizes conflicts of interest. Everyone is entitled to make a fair living. Make sure you understand how your advisor is compensated and that it's appropriate given the services they provide.

Investors often get caught up in the minutiae of comparing differing advisory firms or individuals like they would if they were purchasing a new car. You simply can't lay two advisors side by side and compare fees and performance without truly understanding their [investment style](#) and philosophy.

The more questions you ask, the better feel you will get for how they treat their clients and what type of relationship will develop if you hire them to manage your money.

There is no way to know with 100% certainty that you made the right choice. However, if you have exhausted all available lines of inquiry, you will feel better that you made the best decision possible.

(For more from this author, see: [The Advisors You Don't Want Managing Your Money](#).)



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