

## How to Choose a Financial Advisor

Whatever your situation, a financial advisor can work with you to create a personalized plan to help you reach your financial goals. A financial advisor will analyze your current situation and provide recommendations to help you meet your goals. They will also be available to work with you into the future to monitor your progress and make sure you stay on the right path.

A financial advisor can assist you with:

- Pension decisions
- Investment strategies
- Determining retirement income needs
- Net worth analysis
- Savings needs
- Tax strategies
- Estate planning

### Choosing a financial advisor that's right for you

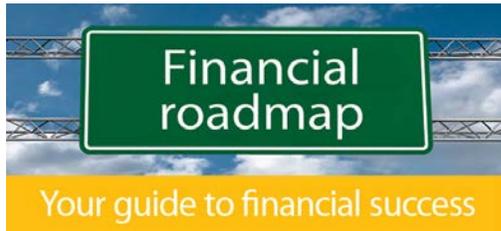
Choosing the right financial advisor is critical. Some advisors specialize in retirement or estate planning, while others consult on a range of financial matters. You may want to consider the following criteria when looking for an advisor. Please keep in mind that these criteria are suggestions only – only you can decide which advisor is right for you.

#### 1. What are their qualifications?

Make sure your advisor is qualified. Certified Financial Planner (CFP) or Registered Financial Planner (RFP) designations are recognized qualifications which indicate a solid base of education, training, and knowledge in financial planning.

#### 2. Do they have the right expertise and experience?

Different financial advisors have different areas of expertise, so it's important that you find someone who can address your specific needs. For example, if you wish to consult an advisor on matters related to your UVic retirement savings arrangements, the financial advisor you choose should have experience in pension issues and financial planning should be his/her primary vocation. The CFP and RFP designations include a requirement to have a certain amount of practical experience in financial planning work or to work primarily in the area of financial planning.



### 3. How are they compensated?

Financial advisors can be compensated in a number of ways. This is an extremely important question to ask; because you want to be sure they are advising you with your best interests in mind

- **Commission**

Traditionally, this has been the most common way financial advisors are compensated. What this means is that when you purchase an investment, a certain percentage of the total purchase will be deducted and a portion of that will go directly to your advisor.

- **Flat fees**

Another method of compensation is through a flat fee. Some advisors charge a flat hourly rate or a flat fee for putting together a comprehensive financial plan. Typically, there is little concern for a conflict of interest since they are getting paid whether you purchase any investments or not.

- **Fees based on assets**

Some financial advisors charge an annual fee that is based on a percentage of the assets you have invested with them.

Although these are the three most common methods of compensation, you may find that many advisors will offer a combination of these approaches. You need to understand how the advisor is compensated and whether you are comfortable with the arrangement based on the purpose of the work. For example, if a financial advisor is paid through commissions on investment or retirement income products, then that financial advisor will get paid only if you keep or take your money outside the UVic retirement savings plans. An advisor in that situation has a potential conflict of interest in advising you on these decisions. For this reason, you may want to consider advisors who are compensated on a fee-only basis.

Implementation of an overall financial plan often involves the purchase of financial products and services which are bought and sold on a commission basis. Insofar as your decisions involve the purchase of products and services, a flat fee financial advisor may or may not be able to execute them. In that case, you can still implement your plan with the help of other service providers, e.g., your banking and brokerage contacts; or a financial advisor who is compensated on a commission basis.

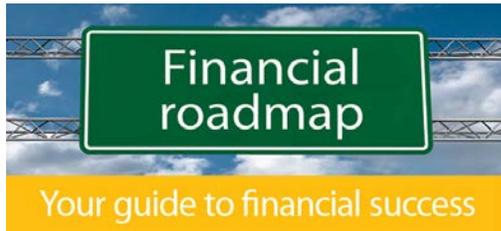
Financial advisors counsel their clients on how best to save, invest and grow their money. Choosing the right financial advisor is crucial.

### 4. What province do they work in?

Finding a financial planner in your province of employment ensures that he/she will be accessible to you and that they understand the pension and tax rules applicable to you. There are different rules in different provinces, particularly related to the transfer and potential “locking” or “unlocking” of pension funds.

### 5. Talk to others

One of the best ways to find potential financial advisors is by talking to others. You may want to ask your accountant if they know any financial advisors, or check with friends and family or anyone else that you trust for referrals. It is better to get some personal recommendations before turning to the internet or the phone book.



## 6. Interview the candidates

Once you have found a few advisors who appear to meet your requirements, it is time to meet with them. Most financial advisors will hold an introductory meeting at no cost. This first meeting is beneficial to both you and the advisor. It provides an opportunity for you to explain what you are looking for, ask questions, and determine if you are comfortable with the individual. It also allows the advisor to determine if they are suitable for the job.

## Helpful Hints

### 1. Documentation

The following provides you with a list of typical documents which may help you and the advisor define the scope of the work required:

- A copy of your budget listing all of your expenses. This will quantify your standard living and help you determine the amount of income you need in retirement
- A copy of your balance sheet; listing all your assets and liabilities
- Notice of Tax Assessment for the most recent taxation year and two preceding taxation years
- A copy of your most recent pension statement
- Statement of investments for your registered and non-registered savings
- A copy of your will and representation agreement

This is not an exhaustive list. You may wish to confirm with the prospective advisor what documents you should take to the interview.

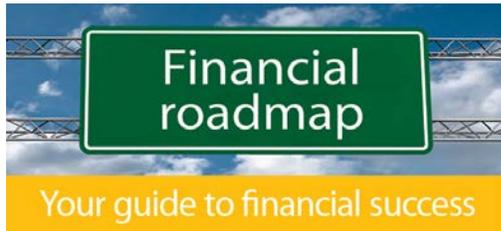
### 2. Your UVic Pension

If you wish to engage the advisor to assist you with issues related to your pension, you should make them aware of the UVic Pension Plan you participate in. This will allow you to judge the advisor's relative expertise and background in pension issues and their familiarity with the unique UVic Pension Plans. If you are not sure which plan you participate in, please visit the PIO office.

### 3. Frequently Asked Questions

The following questions are suggested by the Financial Planning Standards Council. These questions will help you screen the advisors you interview. It is always advisable to interview 3 or 4 candidates before you engage one.

- What are your qualifications?
- What experience do you have?
- What service do you offer?
- What is your approach to financial planning?
- Will you be the only person working with me?
- How will I pay for your services?
- How much do you typically charge?
- Who, besides me, benefits from your recommendations?
- Are you registered with any organization?
- Can I have that in writing?



## Remember...

- The criteria included above are suggestions only, not recommendations. You may have your own criteria for choosing a financial advisor.
- You are encouraged to ask questions before hiring an advisor. For further certainty, you could enter into a letter of understanding with your advisor which:
  - confirms their credentials,
  - clearly defines the scope of the services for which you will retain that advisor, and
  - fully discloses the compensation they would receive for work they do on your behalf, including financial planning and any assistance with implementation and ongoing monitoring of your personal financial plan.
- You are responsible for your choice of advisor. The information in this document is intended to provide you with a starting-point and some things to consider. In particular, the University and their agents and employees accept no responsibility for your selection of a financial advisor or for any advice or conduct of that advisor.

## Need more information?

Check out the following sites for more information on finding a financial advisor.

- **Ontario Securities Commission Investor education Series material related to financial planners** – <http://www.getsmarteraboutmoney.ca/en/managing-your-money/planning/financial-planning/Pages/Choosing-a-financial-planner.aspx>  
This website gives an overview of the various credentials and advice on choosing a financial planner.
- **Institute of Advanced Financial Planners (IAFP)** – <http://www.iafp.ca/>  
This website allows you to search for financial planners by geographical location, area of specialty, license/registration, and method of compensation.
- **Financial Planners Standards Council (FPSC)** – <http://www.fpsc.ca/>  
This website allows you to search for financial planners by geographical location, area of specialty, language and client type. Disclosure of compensation method is not required.