# Who's looking after your best interest?

Individuals don't have to look far to find numerous examples of client/advisor relationships that are structurally dysfunctional and in some cases financially ruinous.

Despite [or some might say because of] our complex regulatory system there remains an enormous opportunity for confusion, misunderstandings, and even deliberate client abuse.

Thankfully, we don't have to be clairvoyant to avoid rogue advisors, opportunists and bad advice even in this fragmented regulatory environment. Employing basic investor due diligence will greatly reduce the probability of becoming a casualty of confusion, bad advice and abuse. While we all understand that risk management and avoiding preventable errors are basic tenets of investment management, we often forget that the same principles apply to our job of selecting a financial advisor.

I always tell investors they should focus their attention on the things they can control.

One very powerful thing you can do to protect your interests is insist on a compensation and relationship format that effectively eliminates conflicted behavior by design. If you want to ensure that your interests always come first and the advice you receive is truly unbiased, then start by narrowing the field to "Professional" financial advisors.

> "I simply cannot think of any true Professional that charges you a percentage of your assets as a fee"

## Financial Matters

**Graham Cook**

Professionals are easy to distinguish from "salespeople", they have advanced training and demonstrated expertise in their field signified by recognizable designations. They use the same transparent, fee for service compensation format that your other professional advisors [accountant, dentist etc.] use. Professionals are not paid by commissions nor are they compensated by fees based on the value of investment assets under management or AUM.

I simply cannot think of any true Professional that charges you a percentage of your assets as a fee or collects embedded compensation, hidden trailer fees and incentives from product suppliers. Amazingly, these are the default operating procedures across our financial industry.

The second very powerful thing you can do to protect your interests is to insist that your financial advisor provide you with a plainly worded Engagement Agreement. CFP professionals [Certified Financial Planners] have taken a lead in this area by making Engagement Agreements mandatory in all client relationships.

The Engagement Agreement documents all the various aspects of the engagement including the specific legal nature of the relationship. The basic and now mandatory Certified Financial Planners Engagement Agreement covers the following topic areas:

1. The specific parties to the engagement, including details of the legal and/or agency relationship.
2. An assurance of confidentiality.
3. The specific nature and scope of services to be provided.
4. Confirmation that assumptions used will be presented in writing.
5. The tenure and time frame of the engagement.
6. Compensation details with respect to the engagement.
7. Disclosure of real and potential conflicts of interest.
8. A description of client responsibilities.

So there you have it, two simple steps: a relationship format that eliminates conflict by design and an Engagement Agreement that documents the items listed. It takes time for someone to earn your trust, you need to create a conducive environment while that process is taking place.

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