The Right Fit:

Why it matters and how to find it

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Not all advisors are alike; how do you find the right fit? Who you choose as your investment advisor should align with your priorities and goals. What should you look for, and what questions should you be asking?

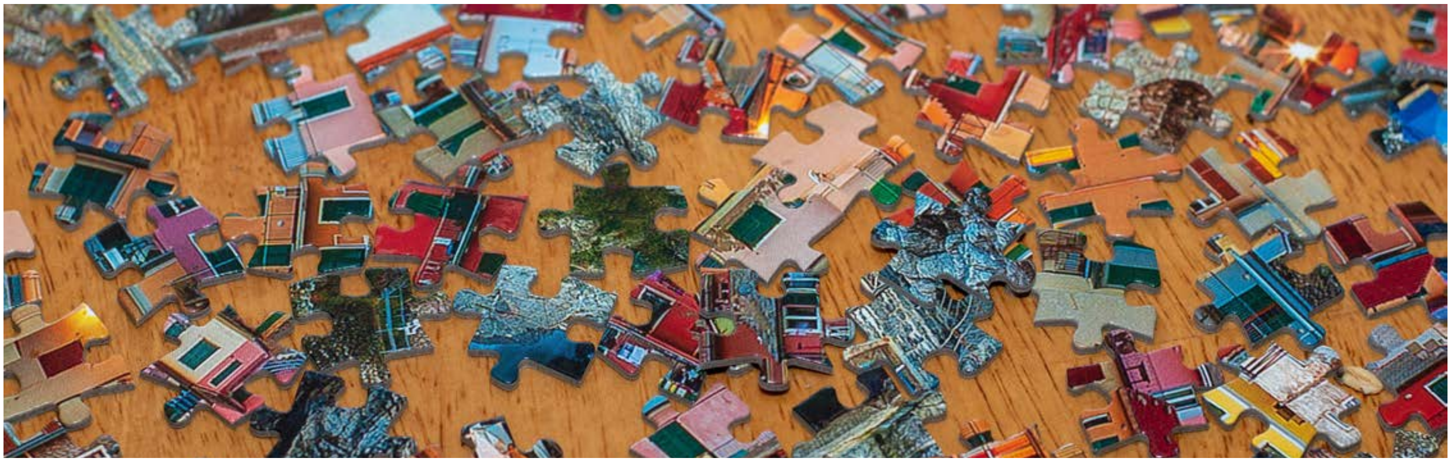
Contributors:

Glen Goland, JD, CFP®
Senior Wealth Strategist, Senior Investment Advisor

Ryland Moore
Managing Principal, Business Development, Investment Advisor

Jillian Perkins
Director of Communications

Matt Sampson, CFP®, CEPA®
Senior Investment Advisor



Invest with intention

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If you have visited with and interviewed several investment advisors — or different investment advisory firms — you know how different they can be. They bring different strengths, individual qualities, various specialties and expertise, and varied approaches to service and investing. As a client looking for the right advisor, how do you find the best fit? Here, we offer some insight on what to look for and how to align your choice of advisor with your goals and priorities.

Finding the right fit

Choosing your investment advisor is not a small decision. Like your doctor or lawyer, they will be involved with some of the most intimate and important aspects of your life, and will potentially be guiding you through what could be some of the most challenging times in your life. Choosing the team that will help build your future and a legacy for your family is a choice to be made with care. In this paper, we'll outline some of the major differences you are likely to encounter among investment advisors, and qualities and features to assess as you make your decision.

> **"AN INVESTMENT IN KNOWLEDGE PAYS THE BEST INTEREST."**
>
> **~ Benjamin Franklin**

Are we biased? Of course, but finding the right fit with clients is as important for us as it is for you. If the client/advisor relationship is a good fit, everyone benefits. But if clients have expectations that don't match an advisor's service offerings, it can be a struggle for all parties to readjust or have to search for a new option. We have worked hard to accurately represent our philosophy, ethos, and service approach so that prospective clients can have a strong sense of whether our firm is the right one for them. With this paper, we are hoping to share what we've learned over the years about what makes for a good fit, and how clients can determine that.

KNOW THYSELF.

Finding the right people to advise you begins with identifying your own goals, values, and priorities. What will be most important to you, what is of less significance, and what is non-negotiable? For sophisticated investors, for instance, having access to specialized investments like private equity and hedge funds may be a high priority, with minimizing fees lower on the scale of importance. For others, keeping investment costs low might be more important, while having a more "vanilla" portfolio may be acceptable. Different advisors offer varied sets of services, and depending on your situation, some are likely to be more important to you than others.

As you explore the information in this paper, think about what services will be most important to you, which qualities align best with your values, what your long-term goals are, and how you would prioritize different aspects of an advisory relationship. Ultimately, you want to find a relationship that serves your needs in a way that provides you with confidence and peace of mind.

Understanding structural differences

In addition to asking the specific questions we'll discuss, the overall ownership structure of an advisory firm makes a difference in how a company operates. It can have subtle but important impacts on the client experience.

PUBLICLY TRADED FIRMS

Publicly traded firms are generally of fairly large size, which can have both advantages and disadvantages. They often feature a centralized headquarters that makes investment decisions for a large number of supported advisors, who may be dispersed regionally or nationally. Publicly traded firms can offer a wide array of services to their investors, such as banking, lending, bill pay, and trustee services. Scale may help these companies negotiate price discounts for clients, but can also limit the available investment options, as many mutual funds and ETFs are not large enough to accommodate the number of supported advisors and assets that need investment. Private equity and real estate investments, in particular, are often too small to be suitable for a national team of advisors to fund.

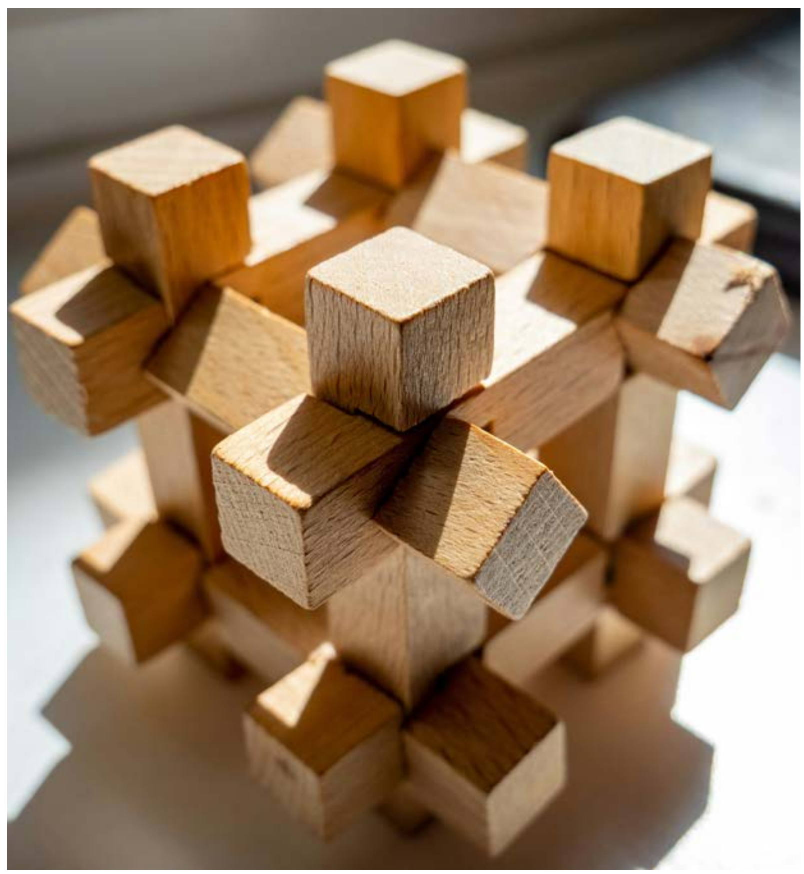
One important consideration is whether the company manages their own investment products and whether your prospective advisor intends to recommend these strategies. This sort of relationship opens the door to potential conflicts of interest.

PRIVATE EQUITY-BACKED FIRMS

An investment advisory firm backed by private equity means it is owned by a group of private shareholders who may have varying degrees of control over decision-making. Many of these firms seek to use mergers and acquisitions to fuel growth, resulting in private equity-backed firms that have combined several smaller RIA teams to create impressive investment organizations.

These large firms face many of the same scaling issues that big publicly traded firms do, as allocating large amounts of capital reduces the number of available investment opportunities. Additionally, these groups must also cope with the growing pains and operational issues associated with rapid acquisition and integration; the client experience can vary dramatically depending on the firm and their management of these processes.

It is important to examine the underlying private equity structure to understand the return expectations and time periods for closing, as these may generate pressure for the firm when it comes to things like whether to pass on cost savings to clients versus passing them on to their shareholders.



EMPLOYEE-OWNED FIRMS

Employee-owned companies tend to be smaller firms, often focused on more niche investments since scale is less of a problem. They may offer a smaller suite of ancillary services, instead focusing on building a network of outside service providers with whom they can partner to provide a comprehensive experience for their clients. Many of these firms have a regional scope, with advisors involved more directly in investment decision-making. Smaller firms also tend to be more agile and adaptable in their decision-making processes, due to fewer layers of bureaucracy, resulting in greater nimbleness when it comes to responding to market changes or capitalizing on new opportunities.

It is important to delineate between founder-led firms versus firms that have several generations of employee ownership. Founder-led firms with ownership and leadership concentrated with the founder may be exposed to risks associated with the founder's retirement, incapacity, or death. A firm with ownership and leadership spread more broadly among partners may have less founder-related risk, but it is important to understand who the partners are and to assess whether they pose any other types of risks.

Employee-owned firms may have more focus on preserving culture, longevity, and independence rather than growth for growth's sake, as they are not answering to outside parties demanding return on their investment. They may have a more entrepreneurial spirit and innovative or unconventional approach. Clients of employee-owned firms benefit from the resourcefulness and hands-on involvement of their investment advisors who are personally invested in the success of the firm.

"WEALTH IS NOT ABOUT HAVING A LOT OF MONEY; IT'S ABOUT HAVING A LOT OF OPTIONS."

~ Maya Angelou

Differentiating factors

Breadth of services

"EVERY DOLLAR YOU SPEND IS A REFLECTION OF YOUR VALUES."

~ Mary Hunt

Advisors and advisory firms offer a wide range of services, with a great deal of variation. Some are focused exclusively on investment selection and portfolio management, whereas others provide full-service financial planning and wealth management. We recommend that you assess which services your prospective advisor offers, and find out whether those services are bundled into a single retainer or priced separately.

Full-service financial planning and wealth management

Beyond portfolio management, this includes creating an overall financial plan, looking at cash flow planning, budgeting, insurance, tax planning, estate planning, and more. Some firms provide a single point of contact for managing your entire financial picture, full family office-style, and others may offer a subset of the above.

In-house services or coordination of outside service teams

Does your prospective advisor have an in-house CPA and estate planning attorney? If not, do they coordinate with your team of outside professional advisors? Can they provide referrals if you don't have a team? Consider whether it's important to you to have these services consolidated under one roof, or perhaps you have already established relationships with other professionals, and want to ensure your investment advisor will be able to coordinate effectively with them.

Breadth of services

- In-house range of services
- Coordination of outside service teams
- Generational wealth planning
- Business succession planning
- Additional services

Research and investment expertise and access

- Research resources
- Experience and specialized expertise
- Pipeline of opportunities
- Access to institutional-quality investments
- Constrained enough to effectively deploy assets

Investment philosophy

- Active versus passive investing
- Customization of portfolios
- Long-term outlook
- Alignment with your values

Service approach

- Personal relationship
- High-touch service
- Access to your team

Fees and alignment of interest

- Reasonable fees
- Fee structure that aligns their interests with yours
- Fiduciary responsibility
- Ability to negotiate investment fees

Additional services

Some investment advisors differentiate themselves with additional specialized services or expertise; for example, business succession planning for business owners, philanthropic advising, and generational wealth planning.

Research and investment expertise and access

Not all investment programs are alike, quantitatively and qualitatively. Performance history is likely the first thing you will look at, but there are other dimensions to an investment program that can help you determine whether it fits your needs and goals.

Research resources

How focused is an advisory firm on investment research? Some firms may limit themselves to conducting quantitative research only, whereas others will deploy significant resources toward in-depth qualitative research, and of course, many shades in between. There is no one established standard, but an approach featuring more in-depth research likely indicates more specialized vehicles, earlier access to new opportunities, and closer relationships and contact with investment managers.

"INVESTING SHOULD BE MORE LIKE WATCHING PAINT DRY OR WATCHING GRASS GROW. IF YOU WANT EXCITEMENT, TAKE $800 AND GO TO LAS VEGAS."

~ Paul Samuelson

Experience and specialized expertise

The depth and breadth of an advisor's experience is important, but so is how they focus that experience. Larger firms often have a breadth of experience, but smaller firms may excel in niche areas of expertise or possess specialized knowledge and experience in particular sectors or investment strategies. Understand your prospective advisor's background, and any special expertise they offer. If you are looking to build a portfolio with unusual investment vehicles or alternative asset classes, seek out an advisor who comes with knowledge and experience in those areas.

Pipeline and access

Where does an advisor's pipeline of opportunities come from? Is it from purchasing a database, or from long-term relationships with investment managers? Are they able to access new and niche opportunities before they enter the market? Can they access institutional-quality investment vehicles?

A key to common financial designations and credentials

Below is a quick guide to some of the most common designations among financial professionals.

AIF: Accredited Investment Fiduciary
An Accredited Investment Fiduciary must meet certain education and experience requirements, as well as undergoing a self-study course and proctored exam. Issued by Fi360, the designation helps financial advisors understand their legal obligations as fiduciaries. AIF certification requires six hours of continuing education each year.

CFA: Chartered Financial Analyst
Chartered Financial Analysts must pass three levels of extremely rigorous exams given by The CFA Institute, and is known as a highly prestigious designation for analysts.

CFP: Certified Financial Planner
Must have at least 6,000 hours of professional financial planning experience or 4,000 hours of apprenticeship. Must pass the lengthy CFP exam offered by the CFP Board, which has a 67% pass rate. CFP designees are required to act as fiduciaries to their clients, and must complete 30 hours of continuing education each reporting period.

CFS: Certified Fund Specialist
The Institute of Business and Finance offers this designation for professionals advising clients on mutual funds. Candidates must meet education requirements and complete a six-module self-study program with three proctored exams. Certified fund specialists must complete 30 hours of continuing education every two years.

ChFC: Chartered Financial Consultant
Issued by the American College of Financial Services, it requires three years of full-time experience in financial planning and an eight-course self study curriculum covering financial planning topics, as well as 30 hours of continuing education each year.

CIMA: Certified Investment Management Analyst

The CIMA designation is offered by the Investments & Wealth Institute; candidates must have at least three years of professional experience as investment consultants. CIMA designees must complete at least 40 hours of continuing education every two years.

CPA: Certified Public Accountant
CPA licenses are issued by each state's Board of Accountancy. Though each state may differ in its requirements, most require 150 hours of coursework and a rigorous four-part exam with a historical pass rate between 45% and 55%.

CPWA: Certified Private Wealth Advisor
Certified Private Wealth Advisors must have five years of experience and pass an exam after completing a course of study that focuses on wealth management strategies for high net worth individuals and families.

CAIA: Chartered Alternative Investment Analyst
CAIA candidates must meet education and experience requirements, complete a self-study program and successfully pass both Level I and Level II exams. The certification is issued by the Chartered Alternative Investment Analyst Association.

CEPA: Certified Exit Planning Advisor
The Exit Planning Institute issues this credential after candidates complete a program studying business growth and exit strategies and pass a rigorous exam. Ongoing continuing education is required to maintain the certification.

FRM: Financial Risk Manager
FRM accreditation is from the Global Association of Risk Professionals, specialists in evaluating risk. The designation requires two years of relevant experience and a two-part, eight-hour exam.

PFS: Personal Financial Specialist
The American Institute of Certified Public Accountants (AICPA) issues this credential to CPAs who have completed additional studies in financial planning topics. 3,000 hours of experience and the passage of an exam are required for this designation.

RIA: Registered Investment Advisor
RIA does not refer to an individual designation, but rather indicates a type of company that provides financial advice. Registered investment advisors have a fiduciary duty to act in their clients' best interest.

RICP: Retirement Income Certified Professional

The American College of Financial services offers this designation for planners to learn how to help people plan for retirement, and includes thorough training in topics that include Social Security, portfolio withdrawal strategies, and wealth transfer. Designees must have three years of relevant professional experience.

Importantly, can an advisor effectively deploy assets? At larger sizes, the more assets a firm has, the more difficult it can be to find adequate opportunities except in large vehicles with room for significant funding. Smaller, exclusive opportunities — particularly in asset classes such as small and micro cap and emerging markets — may be inaccessible to investors working with larger advisory firms.

Investment philosophy

What is your prospective advisor's overall philosophy when it comes to investing? Do they favor active or passive investing, or a combination? Are they focused on a long-term outlook, or do they tend to be more tactical in the short term? Do they focus on certain themes, or apply investment screens? How cost-conscious are they in their investment selection? Do they have a strong and clear investment philosophy? Most significantly, is their approach aligned with your values, sensibilities, and risk tolerance?

Service approach

Relationship and service standard

What sort of relationship do you want with your advisor? Are you looking for a highly personal relationship to someone you can call directly if you have questions, who intimately understands your financial situation and probably remembers your kids' names? Or are you more comfortable with a less personal but highly professional firm, in which you may have a team of advisors who each focus on different areas of your planning? Most firms are somewhere between these two extremes, but think about what is important to you. Do you want to be able to reach your advisor between meetings? Is it important to have a human answer the phones? Do you prefer meeting in person or remotely? Ask a prospective advisor about their service standards and approach.

Smaller investment advisory firms generally have a client-to-advisor ratio that allows for more personalized attention, tailored advice, and a stronger personal relationship.

Level of involvement

Another aspect to consider is how involved you want to be. Are you a hands-off investor, preferring to turn everything over to your advisor and content to just check in periodically? Or do you prefer being closely involved with asset allocation decisions, new investment opportunities, and other aspects of your strategy? Different advisory firms have different styles of working with clients, some acting in more of a partnership role, whereas others take more of a management role. Consider whether you want your advisor to have discretionary control over your portfolio, or if you want to retain oversight over decisions and changes.

Alignment of interests

Most advisors accept fiduciary responsibility over their clients' assets, in which case they are required to act in their clients' best interests. This is an important start, but it's still critical to assess a prospective advisor for any potential conflicts of interest. How are their fees structured; are they fee-only, hourly, or commission-based? Do they serve clients of similar size, or are you a small fish in a large pond? How do they manage investment manager rebates? Some investment advisors keep them while others use them as leverage to negotiate lower fees for their clients. Finally, are their fees reasonable for the services they are offering? It is always valuable to seek out quotes from several prospective candidates so that you have a basis for comparison.

A checklist of questions to ask an advisor candidate

BREADTH OF SERVICES

- ☐ What in-house services does your firm provide? Is your fee inclusive of those services, or are they charged outside of the retainer?
- ☐ Can you work directly with my other outside professional advisors?
- ☐ What specialized expertise or services do you offer?

RESEARCH AND INVESTMENT EXPERTISE AND ACCESS

- ☐ What is your manager selection and due diligence process?
- ☐ What team resources are deployed toward investment research?
- ☐ What are the sources you use for your pipeline for new investment opportunities?
- ☐ What do you do to ensure access to the highest quality investments?

INVESTMENT PHILOSOPHY

- ☐ What is your overarching investment philosophy?
- ☐ Do you favor active or passive investment management?
- ☐ How do you balance long-term strategy with short-term tactical maneuvers?
- ☐ Do you focus on any particular investment themes or lenses?

SERVICE APPROACH

- ☐ Who will be on my service team and what are their roles?
- ☐ Will I have access to my advisor between meetings?
- ☐ What is your service standard for responding to questions and requests?
- ☐ What do you do to involve me in the process?
- ☐ How frequent will our contact points be?

FEES AND ALIGNMENT OF INTEREST

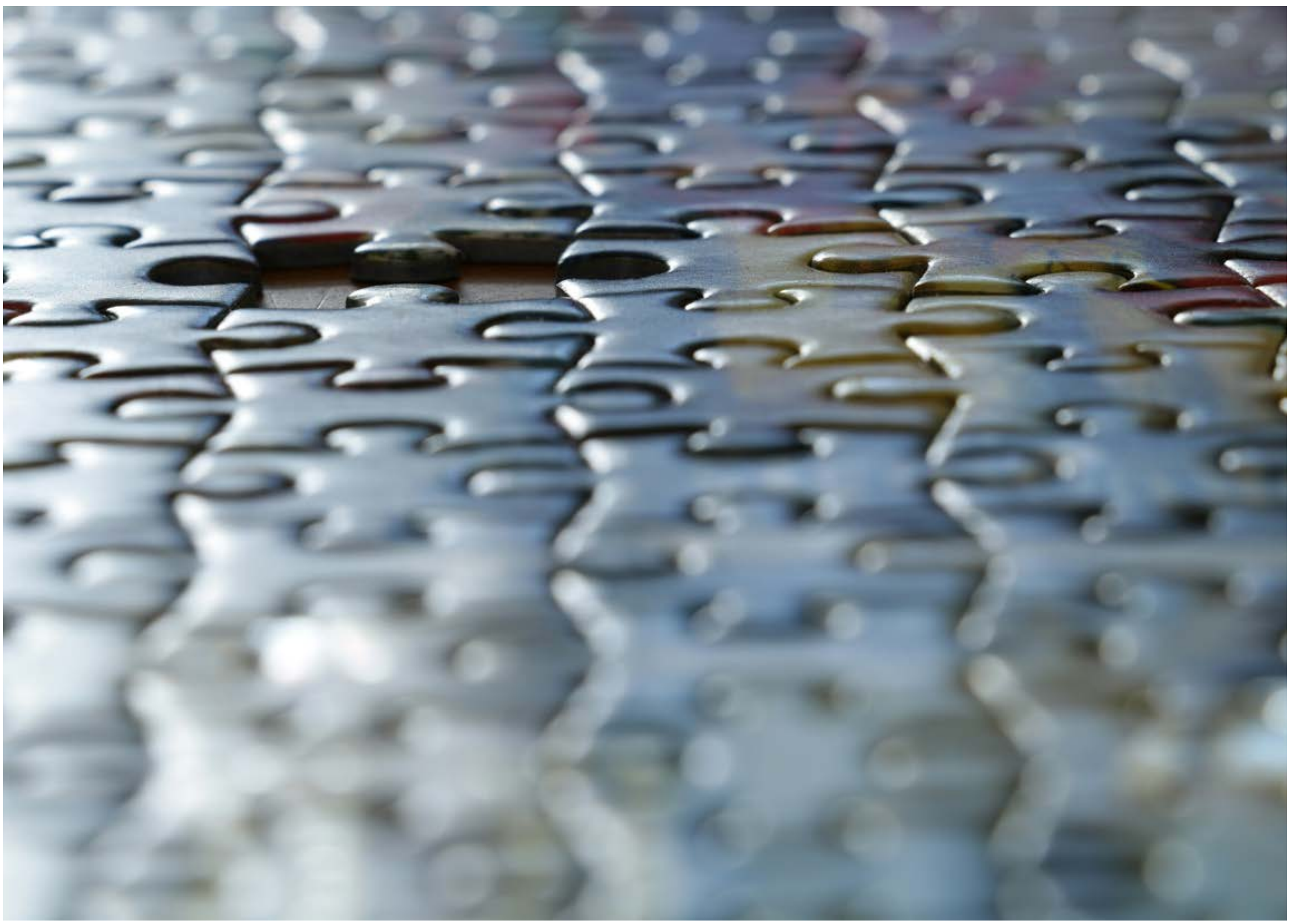
- ☐ Do you accept fiduciary responsibility?
- ☐ What is your fee structure?
- ☐ What is the range of client types and sizes that you serve?
- ☐ How do you handle investment fee rebates?

Conclusion

When it comes to finding an investment advisor, the question should not just be "which is the best advisor," but "which is the best advisor ***for me***?" You are likely to come across many advisors who are competent, experienced, and trustworthy, but finding the one that fits your needs and is aligned with your legacy is critical.

A mismatch in advisors can be frustrating for both parties, with potential failures in meeting expectations, aligning service and communication styles, and building appropriately tailored investment strategies. In some situations, the parties may be able to adapt and find a harmony. If that isn't possible, however, you may find yourself starting over in your search; this could result in lost time and potentially lost returns and fees as well.

We encourage clients to make use of this information to help guide your search for an investment advisor that is the strongest fit for your needs. If you would like to know more about our services, please feel free to contact us at any time.



CONTRIBUTORS

Glen Goland, JD, CFP®
Senior Wealth Strategist, Senior Investment Advisor

Ryland Moore
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Jillian Perkins
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Matt Sampson, CFP®, CEPA®
Senior Investment Advisor