

## Finding a Financial Professional You Can Trust

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### Overview

*Over the past few years, a steady drumbeat of negative news has revealed unethical (or worse) behavior in the financial services industry, leaving investors wondering whom they can trust. As in all scandals, the actions of a few have tainted the reputations of many hardworking, honest professionals. Fortunately, most financial professionals take very seriously their fiduciary responsibilities to protect investors' wealth and, by knowing the right questions to ask and the right characteristics to look for, finding a trustworthy financial adviser isn't as difficult as it might seem.*

Finding the financial professional who is right for you may take some time, and the prudent investor will find that it helps to ask certain questions and keep certain characteristics in mind when searching for one.

### Financial professionals are held to a higher standard.

It helps to understand that—as in all scandals—the actions of a few have tainted the reputations of the many upstanding professionals in the financial services industry. Most financial professionals have dedicated themselves to helping investors manage assets to secure a retirement, a second home, a child's education, or whatever else their dreams might include. The vast majority of financial professionals take very seriously their fiduciary responsibilities to protect investors' wealth. *Consequently, you should expect and demand the highest ethical standards from financial professionals.*

**Fiduciary responsibility:** *Members of certain professions—because of the nature of their relationship with clients or customers—have a unique duty to behave in ways that build trust and confidence. Professionals with special fiduciary responsibilities include financial professionals, physicians, attorneys, accountants, and members of the clergy.*

### Investors need to be educated, awake, and aware.

If you are going to invest in the financial markets, you need to be an educated consumer and take responsibility for your finances. You must understand key concepts, such as asset allocation, risk tolerance, and portfolio diversification. Myriad resources can help educate you in the basics of investing. They include everything from adult education classes to Web sites to trusted family and friends who are experienced investors. A list of Web sites that can help educate you are available by clicking this link: [Resources](#)

### How can I tell if my financial adviser is worthy of my trust?

It would be wonderful if everyone with whom we did business had to pass an honesty test. Until such an instrument is developed, however, think about the following points when evaluating a financial professional:

1. **Is the financial professional properly credentialed?** If you are paying for the services of a financial adviser, is your adviser certified? Does the certification require extensive, ongoing continuing education (40 hours every two years, for example)? The point is: To protect your assets, you should deal with a professional who has the proper credentials.
2. **Does the financial professional understand your investment objectives?** Has your adviser asked you in detail about your financial goals, your tolerance for investment risk, and your time horizon? The point is: You need advice that is appropriate for someone of your age and in your particular financial situation.
3. **Does the financial professional take the time to explain things to you?** Are your questions answered thoroughly and patiently? Do you feel as if you have enough information to make good decisions about your finances? Do you ever feel as if you're pressured to make a decision? The point is: Your financial professional should be providing you with information that enables you to make thoughtful decisions.
4. **How is the financial professional compensated?** Is your adviser paid on commission? In other words, does your adviser make more money if you make more transactions? Is your adviser pushing funds that the firm manages? Or do you pay a flat fee? The point is: You should understand how your adviser is paid. Commission structures aren't necessarily undesirable, but if you are paying for advice on a commission basis, you should be aware that your professional makes money off every transaction you make, whether or not the transaction is appropriate for you. Also, you should always be notified when your adviser is selling funds that the firm manages.
5. **Is the financial professional willing to discuss ethical standards or values?** Has your adviser ever mentioned a professional organization's code of conduct? Has your adviser ever referred you to the ethical standards of a

professional organization? Have you and your adviser ever talked about what matters most, what you each stand for, what you can expect in your relationship? The point is: The person who is handling your money should be clear about investment philosophy and what you can expect in a professional relationship.

6. **Does the financial professional discuss what would happen if you should no longer be competent to make decisions?** Has your adviser ever asked you whom to speak with if there's an issue with your health or competence? Has your adviser welcomed your offer of information about who might have power of attorney over your account in case of an emergency? Does your adviser know the name of your spouse, your children, your lawyer, or your accountant? The point is: If you become incapacitated, your financial professional needs to be able to contact someone you trust if there are issues with your account.
7. **Is the financial professional willing to refer you to someone else in the firm if you need help or information in the adviser's absence?** Do you have access to other professionals, or is your adviser the only person at the firm who you can talk to? The point is: You want to be able to call on other professionals in the firm in case your regular contact is unavailable, for whatever reason. It is also reassuring to know that your account is not the private purview of one professional—that one individual can't hide the activities in your account.

**The following is the bottom line on finding an honest financial professional:**

- Consider the referrals of trusted friends and family members.
- Go to a reputable firm.
- Ask about code of conduct and ethical standards.
- Make sure your investment objectives are clear and understood.
- Insist on clear explanations for complicated terms, if someone speaks in industry jargon, or if you're confronted with "inside baseball."
- Make sure you understand how your adviser is being paid and what that means to your account.
- Develop contingency plans in case you are incapacitated.
- Ask about who else in the firm you can talk with in the event your representative is unavailable.
- Keep notes of your consultations with a financial professional and carefully review each month's statements.
- Finally, listen to your gut. If something doesn't seem right to you, get to the bottom of it. Ask questions. Be persistent. If it sounds too good to be true, it likely is. If you don't get satisfaction from your financial professional, contact his or her superior.

#### About the Author

*Katherine A. Nelson is a founding principal of Talent Strategies Partners in Suburban Pennsylvania, and a senior fellow in business ethics at The Wharton School, University of Pennsylvania. Her expertise includes ethics program design and strategic organizational communication. She is co-author of Managing Business Ethics (John Wiley, 3rd edition, 2003).*

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