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## WEALTH MATTERS

**Taking the Time to Pick the Right Financial Adviser**By [PAUL SULLIVAN](#)

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THE stock market may be closing in on a three-year high but the scars of what happened since early 2008 are still fresh. So a decision to choose a new [financial adviser](#) or stick with the old one can be particularly fraught. How can investors know if they are getting good advice and, if they switch to someone else, how can they be sure the new adviser will be any better?

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Joshua Bright for The New York Times

"Firms don't do a very good job of matching adviser capability with client complexity," says Douglas Black, president of SpringReef Partners, which helps wealthy people find the right financial advisers.

## BUCKS

**Tips on Choosing a Financial Adviser**

Are you happy with your financial adviser? How did you go about choosing that adviser? And do you have any advice for others who may be thinking of getting back into the markets?



In the past, there have been few people to consult about whom to pick. Accountants and lawyers have played this role, warily. But they would typically present two or three advisers and leave the final decision up to the investor.

Now Douglas Black, a 30-year brokerage industry veteran, has started a firm called [SpringReef Partners](#) that will screen and select financial advisers for wealthy families. While the amount of wealth needed to receive his advice is high — from \$5 million to \$50 million — his approach can help those intent on evaluating an adviser to fit their needs. His advice may be aimed at the wealthy, but anyone with money to invest can adopt his practices.

"Firms don't do a very good job of matching adviser capability with client complexity," Mr. Black said. "They haven't taken the focus away from the advisers in determining who is going to end up with whom."

Mr. Black, who started his career as a financial adviser and stepped down as the chief operating officer of UBS Wealth Management in 2010, is entering this business at an opportune time. Investors are particularly insecure about making the wrong choice.

[Charlotte B. Beyer](#), founder and chief executive of the Institute for Private Investors, said her members were now screening eight to

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**Paul Sullivan** writes *Wealth Matters*, a column looking at strategies that the wealthy use to manage their money and their overall well-being.



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10 advisers when they used to meet with two or three.

“That’s an enormous difference and an enormous time commitment,” Ms. Beyer said.

While wealthy investors may have made a lot of money and surely understand how complex the world is, they are just as afraid as anyone else of getting this choice wrong. So how do you pick the right adviser without being overwhelmed by the process?

**TYPICAL MISTAKES** Regardless of wealth, people make the same mistakes in selecting advisers.

Listening to family and friends for suggestions on money management — or, worse, picking family and friends to do it — can be a bad idea. First, there is no correlation between your sense about a person and that person’s ability to do a good job. Remember all the people who felt such affection for [Bernard L. Madoff](#)? And second, hiring a friend or relative makes firing that person tough.

Rushing the process is another mistake. Picking a financial adviser can be as serious as selecting a doctor, and it certainly should require more time than picking a paint color. But for many investors, even those who had to make tough decisions in business, it is about as interesting as watching that paint dry.

“People don’t interview enough people on the front end,” said Jim Grubman, owner of [FamilyWealth Consulting](#), which works with advisers. “They’ll take someone else’s recommendations. What works for your friend or your colleague may not be the best fit for you.”

Relying on a name brand firm can be just as bad as going with someone you know. But selecting a boutique firm in the belief that smaller size means more attention for clients can be equally problematic.

“Our belief is there are exceptional advisers spread across all different types of platforms, but there are no great firms,” Mr. Black said.

**QUESTIONS TO ASK** Picking an adviser is an awful lot like choosing a spouse: you really want the relationship to last forever, to be rewarding and fulfilling, but if it happens to fall apart, you don’t want that to destroy you.

Mr. Black, whose firm is paid either a fixed fee or a percentage of assets for continuing monitoring, said he asked 18 questions of all firms and 17 of advisers. For firms, some of the major questions involve how the organization functions, its experience and risk-management practices and how it handles problems that arise.

For advisers, the criteria are a mix of set standards and questions. He will not work with any adviser who has fewer than seven years’ experience. One thing he found when he worked at UBS was that it generally took at least seven years for any financial malfeasance to surface. He said he also wanted to make sure that the adviser’s firm had broad experience with clients whose wealth levels were similar to his own client’s.

Yet, he said, the value his firm will bring to the selection process may be in the questions that do not have simple yes or no answers. The 17 criteria for advisers are listed [on the firm’s Web site](#).

One simple statistic he looks at is how much additional money an adviser’s existing clients are asking him or her to manage. Mr. Black said most very wealthy people had several advisers from various stages in their lives. But the one who is doing the best job — as opposed to the friend from high school — is the one who gets the new money they are making.

Yet even lawyers and accountants who take the typical approach of making introductions to wealth advisers are aware that the complexity of both individual [investments](#) and the global economy requires more voices, not fewer.

[David Scott Sloan](#), co-chairman of private wealth services at the law firm Holland & Knight, said he encouraged clients with substantial wealth to set up committees of advisers. This helps with selecting new advisers but also makes pushing out an old one easier.

“By putting the team of advisers together, the weak link will reveal itself,” he said. “Even though it might be a friend, this is where the team of advisers can work.”

**THE RIGHT CHOICE** While experts can surely be wrong, individual investors often select advisers whom they like personally, whether or not those advisers have the best money management skills.

You have to accept that this will happen. “What you’re searching for is someone who has similar convictions,” said G. Scott Budge, managing director at [RayLign Advisory](#), a consultant to wealthy families. “We know from being skeptics of everything that moves that there are many ways to do this and they all don’t work at some point. This is not about finding perfection. This is about finding a good relationship.”

This may sound akin to accepting that human nature will once again subject you to the vicissitudes of the market. Ms. Beyer of the Institute for Private Investors says that one way to reduce the effect of personality is to create a simple chart to weigh the pros and cons of everyone being interviewed.

Others advise against the temptation to pit advisers against one another in a horse race, giving each a sum of money and seeing, after a period of time, who gets the best return.. “People put up with an amazing number of bad relationships because they think they have to get a few extra points of performance,” Mr. Grubman said. “What we found in the bear markets is as soon as that performance goes down, the relationship falls apart. Investment performance only works when it’s stellar, and that’s not sustainable.”

One objective measure of an adviser is the difference between what is promised and what is delivered. Mr. Black calls this the “sales gap.” It allows clients to measure what they were promised when an adviser was courting them against how those promises have played out.

Knowing some gap will always exist requires investors to remain vigilant — even if they’d rather be doing something else.

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