

Finding your financial adviser match

Looking to save money? Finding a good adviser can put you on the path to savings.

What words come to mind when you think of summer? BBQ? Beach? Biking? How about financial advice? Probably not.

But summer is actually a very good time to think about finding a financial adviser. The next couple of months tend to be a quiet time on the money front for most people. RRSP season is long past, tax returns are (hopefully) filed and holiday spending is a few months in the future.

Five years ago, I was involved in a financial literacy campaign. A poll conducted to determine the best months to embark upon a nationwide seminar series determined that February and October were the months when people were most interested in learning about money management. July and August were at the bottom.

However, the summer months are also times when we are all a little less serious and intense about many things from work to kids. Come September our plates seem to get piled high with life. Having a little less on your mind during the sunny season means there might be a bit more room mentally and emotionally to concentrate on developing a relationship with someone who could have a huge impact on your life.

Financial adviser is a very broad category. Many believe such individuals help set up investment accounts such as RRSPs and RESPs (registered education savings plans) and recommend mutual funds to purchase.

This isn't the definition of an adviser but rather a salesperson who happens to sell mutual funds instead of cars or appliances. If that person works for a bank or a mutual fund provider then the investment products available are restricted to those offered by the institution. It doesn't mean the salesperson isn't knowledgeable. However, there's ample evidence to suggest that advice of all stripes is compromised to one degree or another when the product is from one source.

A fee-only financial adviser should look at your entire financial life and tailor a plan and strategy to your specific needs.

Fee-based, fee-for-service, fee-only advisors and money coaches are a growing trend in the financial services community. Basically, advisers who aren't compensated by the products sold are paid in one of three ways:

1. A percentage of assets. Usually the range is one to two per cent of the value of your various portfolios such as RRSP, RESP and non-registered accounts. For portfolios over \$100,000 expect to pay a lower percentage. By the time household assets reach \$500,000 the fee is generally closer to one per cent.

2. Project based. Everyone should have a financial plan created for them three or four times throughout their lives, especially if there is no ongoing advice.

Karin Mizgala, co-founder of Money Coaches Canada (a network of 21 fee-only advisors across the country) notes that retaining a financial coach/advisor will cost between \$2,000 and \$5,000. “It depends on a number of factors including the complexity of the plan, the number of meetings, whether it’s a comprehensive or modular plan and degree of customization versus boilerplate plan.”

You may balk at the cost but consider that the management fees levied on a \$100,000 portfolio could be as much as \$2,500 every single year. Despite that amount of money, many investors are getting precious little advice.

3. Hourly. This is a rarer form of payment but some advisors, after creating a plan, may be retained occasionally for advice over the years on an hourly basis. Expect the range to be from \$150 to \$250 an hour.

As a point of comparison, my research into interior design services for the extensive renovation of our new house found that the fees start at over \$100 an hour for an established expert and many are in the \$150 to \$175 range.

Not long ago it was a very difficult task to find a fee only or fee-for-service financial advisor. Five years ago there were less than one per cent of advisors working on this basis.

MoneySense Magazine compiles a [fee-for-service financial advisor directory](#), which is a good place to start. Increasingly, advisers offer the option of commission-based compensation or out-of-pocket payment. Just remember that the hidden fees in mutual funds often cost far more over time than retaining an expert and paying directly.

Your summer holiday homework is to find an independent financial adviser who will examine your entire financial life from taxes and savings to debt and investments.

I know, you’d rather spend a day at the beach. But if this task is undertaken you raise the odds of many more beach days in your future.