When and why to look for a new financial adviser

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When Deborah Ison decided to break up with her financial adviser last year, investment performance had nothing do with her decision.

The 45-year-old human-resources project manager from Burlington, Ont., was in the midst of a divorce and went to her adviser with pressing questions about her financial obligations.

But rather than addressing her concerns, she says, he quizzed her on investment risk tolerance and retirement goals.

It was then and there that Ms. Ison decided to make a switch.

“I had walked into this office pretty much a broken person. My entire future had done a 180. I didn’t know how I was going to pay my mortgage or my bills or my debts,” she says.

“The furthest thing from my mind was my retirement.

“It seemed like an obtuse and insensitive question for him to be asking me.”

Rona Birenbaum, a fee-only financial planner with Toronto-based Caring for Clients, says experiences such as Ms. Ison’s are often the catalyst for calling it quits with an adviser.

“There’s two thing I always hear: ‘I feel like I’m always being sold to,’ or ‘I feel like I’m being talked at or talked over.’ And so it’s a relationship matter,” she says.

“Occasionally I hear, ‘I’m not happy with performance,’ but that’s rarely – if ever – first on the list.”

Notably, Ms. Birenbaum adds, clients’ expectations have changed over the past 10 years.

“Whereas investors once looked to their adviser for pure investment advice, they’re now demanding more,” she says – whether that’s tax efficiency, debt payment tips, choosing to invest with RRSPs or TFSAs or questions about what type of lifestyle they can afford right now.

“So they’re less focused on the product selection and the product choice as they are around the whole money management and lifestyle planning matters.”

Tom Feigs, a money coach in Calgary, says that if you do find yourself at a crossroad with your adviser, take the time to figure how your expectations aren't being met.

"Be clear if it's fees or communication and if it's something that can be fixed," he says. "If it's just an intuitive situation, maybe give your adviser an opportunity to respond about what's concerning you, and if you're not happy with the response, then start a plan of shifting."

By no means should people abruptly end the relationship without having a new adviser waiting in the wings, Mr. Feigs stresses. "You don't want to be in limbo."

If you're firm on leaving your adviser, Ms. Birenbaum says, it's often worthwhile to be honest and upfront about it. While you're under no obligation to do that – a new adviser can handle all the transfer paperwork on your behalf – it could save time and money.

"If an adviser receives notification that an account is leaving, they may take time to scramble and try to maintain that relationship," Ms. Birenbaum says.

"But if they're aware of your decision and it's clear you're determined to make that change, your adviser, if they're professional, will do what they can do to expedite it and find ways to mitigate or reduce the costs."

Many investors are surprised by the out-of-pocket expenses that can come with switching advisers. That could include a capital-gains tax for moving non-registered accounts, as well as transfer fees of up to $150 to $250 an account depending on whether the new adviser will cover the costs.

Something else to be aware of are deferred sales charges, a back-end fee charged to mutual fund investors who redeem their investment prior to a set period of time.

Still, if you feel your adviser will react poorly to news that you're switching, defer to other professionals to figure out the fees associated and how to lighten them, Mr. Feigs says.

"Different situations mean different actions," he says. "If it's a clear-cut case of knowing you want to leave, I'd have the switch made with a paper trail."

That's what Ms. Ison did when she enlisted the services of her new adviser, a broker who had helped an acquaintance of hers through a similar situation involving divorce.

"I left it up to my new adviser and that made it all seamless," she says. "I was never put in an uncomfortable situation or had to contact my former broker."