Nashville Business Journal

AUGUST 19-25, 2005

How to choose the right person to manage your finances

GUEST COMMENTARY

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Making the correct decision about a wealth manager can help your assets grow and minimize your tax bite, but there are more things to consider than the bottom line.

Find out how your advisor works with clients. Does he have a full roster of clients already? How many assets do both the firm and the advisor manage? What is the guiding philosophy on money management? How often will your account be reviewed and by whom? You should find out as much as you can about the nuts and bolts of how your portfolio will be managed, what lines of communication are open and how often you should expect to hear from your money manager.

Wealth management is much more than deciding what and when to buy and sell. After significant time listening to you, a true financial advisor should advise you about how best to manage your assets, which requires an understanding of both general principles and specific procedures.

For example, your financial advisor should be able to explain the advantages and disadvantages of naming different beneficiaries. If you name your spouse, what happens if your spouse dies before you? How can you pass on assets to your children in a way that best benefits them?

The way your accounts are titled can make a big difference in the way your assets are taxed. Your financial advisor should not only understand these differences, but should be able to articulate them to you in a way that you understand.

Next, consider the types of investments in your portfolio. Your advisor should be able to demonstrate how he or she takes your specific life situation into account when advising how your investments should be made. The amount of money you choose to put in equities versus fixed income instruments, for example, should be determined by your goals, comfort level and where you are with respect to retirement, not some pre-determined formula. It's not enough to recommend how investments should be managed. A good advisor must be able to explain how he or she came to the decision.

Does your advisor leave it up to you to decide how much to put into retirement accounts versus college savings accounts? Not if he or she is a good one. Every investment decision needs to be reasoned out and those reasons need to be clear. Not only that, but as your situation changes, your investment strategy needs to change as well. A good advisor keeps up with these changes and makes suggestions on how to react to them through your investment portfolio.

Finally, check credentials. Focusing on advisors with credentials is a good idea because having a professional designation suggests a commitment to the field based on some combination of work experience, formal study, continuing education and passing qualifying exams. There are a lot of designations out there. The important ones to consider are:

- Juris Doctor (JD): An advisor with a JD is an attorney. If your wealth management plan involves intricate estate planning, make sure your advisor has a law degree and is focused on this area of the law.
- Certified Financial Planner (CFP): The CFP is awarded by the Certified Financial Planner Board of Standards to individuals who have at least three years of work experience in the financial planning field, completed an approved course of study and passed an extensive examination.
- Certified Trust and Financial Advisor (CTFA): Designates those who have passed a rigorous examination, have a minimum of three years experience in personal trust and have completed a personal trust training program certified by the Institute of Certified Bankers.
- Chartered Financial Analyst (CFA): Awarded to investment professionals who have worked in the investment industry for three years and have passed three yearly exams on security analysis and professional money management.

If you and your advisor are up front on your goals and expectations, then there should be little opportunity for surprises. Just remember to set your goals and make sure your advisor understands them. Following these steps can give you not only a healthy investment portfolio, but peace of mind that your money is being managed the way you want it to be.

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