MarketWatch PICKS

7 red flags that signal it's time to dump your financial adviser

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In these trying financial times, more Americans are leaning on financial advisers for money advice. While in 2020, 22% of Americans said a financial adviser was their most trusted source of financial advice, in 2021, 26% said that, according to a survey of American adults from Northwestern Mutual. But, of course, some financial advisers are better than others. So we asked five certified financial planners to identify red flags that should give you pause when looking for a financial adviser to guide you toward your goals. If you see any of these seven signs, it might be time to dump your current advisor for a new one. (This tool can help connect you to an advisor that meets your needs better.)

They don't ask about your life

"Avoid an advisor who talks about your portfolio, but not you [and] your life," says Rachel Elson, wealth adviser and certified financial planner at Perigon Wealth Management. She notes that while it's common for people to come in asking "how much do I need to retire," an adviser should respond by saying something like: "Tell us about your life, how you spend money, about your needs and your goals." Indeed, she says, you "can't answer anything like that in a vacuum. It's important to have an adviser who understands who you are and understands the full picture of your life."

They're not legally bound as a fiduciary

"A fiduciary is legally required to look out for your best interest before their own," explains Kashif Ahmed, certified financial planner and president at American Private Wealth. "If you ask an advisor point blank: 'Hey are you a fiduciary' and they hesitate for even a second to give you an answer, or if it starts with 'uh, um,' that's a good time to change." As MarketWatch Picks recently noted, you may even want an adviser to sign a fiduciary oath.

They panic under pressure

"I think the basis for anyone to consider changing advisors following the pandemic comes down to this: did your advisor stick to his/her knitting and execute on a grounded strategy that was already in place or did your advisor thrash about in a panic?" says Dave Yeske, certified financial planner and managing director of Yeske Buie. "If your advisor panicked and exited the market or curled up in a fetal ball and went radio silent, you probably need to shop around for someone who works from a grounded set of principles and has a more engaged, proactive style." (This tool can help connect you to an advisor that meets your needs better.)

You have outgrown each other

"If an advisor mostly works with people with $10 million and up and is not giving you the time a day because you don't have enough money, then they're probably not the right fit. Same if you have a lot of money or have complicated planning needs and are working with someone doing basic stuff," says Elson.

It also may be time to leave if "you feel that your needs have outgrown what your financial advisor is able to provide," says Marguerita Cheng, CFP Board Ambassador and Blue Ocean Global Wealth CEO. "For example, your advisor may be focusing on portfolio management, but you want guidance on equity compensation, college strategies or Social Security claiming strategies."

They don't understand your values

An advisor should ask you about money values and beliefs and put together a financial plan in

An adviser should ask you about money values and beliefs and put together a financial plan in accordance with those, says Cait Howerton, lead financial planner and CFP at Facet Wealth. "We all have various experiences growing up, various values that are instilled with us from our environment, then as we get older, we start to determine our own values. For some, it's charitable giving. Others, spending money on ongoing experiences. Eating out vs. eating home. Those are priorities in our life but underneath that they are tied to values, such as fun vs. predictability. If we dig a little deeper, we can typically uncover a value. And if we dig deeper than that, we can undig a money belief, what's buried in my subconscious."

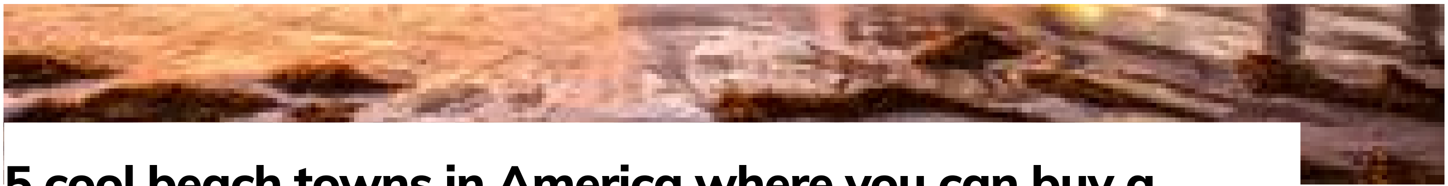
They aren't transparent about fees

However they choose to get paid, whether through assets under management or fees per year, an adviser needs to explain how they're getting paid, when they're getting paid and why they chose that particular pay model, pros say. Also beware of "free" financial advice, as it's usually not free. "If they try to tell you that the cost of financial planning is free; it's not free, it's just buried somewhere deep in their process," says Howerton. (This tool can help connect you to an advisor that meets your needs better.)

They speak in jargon that's not relatable to you

"If they're using a lot of jargon that doesn't make you feel like they're meeting you where you are. If someone is talking over you/down to you or trying to impress you with big words, not making it clear why they're presenting a certain strategy," says Howerton.

"It's important they take high-level concepts and put them into words that meet you where you're at in your financial literacy," adds Howerton. "If someone isn't explaining concepts that are difficult to understand, or if they're not willing to elaborate on a particular strategy, they're probably not a good planner for you."



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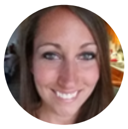

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