

# Choosing a financial adviser is one part diligence, one part Sherlock Holmes

BY ASHLEY FESTA

No one wants to be on the losing end of a Bernie Madoff-like Ponzi scheme.

Fortunately, here in San Antonio, it's not too difficult to find someone whose main concern is helping you line your pockets instead of his own.

With choices between brokers and advisers and more than 100 different professional designations, the decision can be daunting. To find a trustworthy professional to handle your money, prepare to do some research and ask a number of questions, both of yourself and of potential advisers.

Start by defining what you want the adviser to do for you. Your financial needs will help you narrow your choices to the appropriate types of financial managers.

Are you looking for someone to handle your investments or to provide full-service management? An investment broker buys and sells stocks on a client's behalf, whereas an adviser manages a client's portfolio, providing advice on investments.

Seek referrals from people you trust. Limit your options to the professionals who have the type of experience you're looking for and weed out the referrals that don't offer what you need, says Reid Harrell, executive vice president at The Trust Company.

"Does the adviser's experience match with what you want them to do?" he asks. "Your needs should match their experience."

After you've narrowed your choices, research the advisers' background in the industry. State and federal government agencies regulate financial advisers, so check up on your candidates' experience with the Texas State Securities Board or the U.S. Securities and Exchange Commission (SEC).

You can also visit the broker check Web site for the Financial Industry Regulatory Authority (FINRA), but keep in mind this is a self-regulated entity of the investment industry.

## Vetting advisers

Checking up on an adviser involves more than a quick look into credentials. Be thorough, says Robert Elder, communications manager at the Texas State Securities Board.

**'SOME DESIGNATIONS REQUIRE NO MORE THAN A WEEK OF INSTRUCTION AT THE MALL.'**

**Robert Elder**  
Texas State Securities Board



Elder

Investigate the adviser's education, work history, any disciplinary actions or complaints against the adviser, and the results of those complaints. Any civil or criminal cases or a pattern of customer complaints should raise red flags, Elder says. A job history riddled with dismissals is a bad sign, but movement from company to company is common.

You should also be aware of any bankruptcies in an adviser's past, though a bankruptcy is not necessarily a warning sign, Elder says. The cause could be beyond the control of the adviser, but anything that makes you uncomfortable as a client should be taken into consideration.

Checking into an adviser's credentials can cause some confusion because of the sheer number professional designations in the investment world. A little research will help clarify the alphabet soup, and FINRA offers a good resource

on its Web site for learning about the requirements to earn various certifications.

Whether you choose a CFA, CFP or one of the many other professional designations, be sure you understand what you're getting. Each designation requires different levels of certification, including educational classes, years of experience and examinations.

For example, to attain a CFP, or certified financial planner designation, an adviser must undergo thorough training.

"Some designations require no more than a week of instruction at the mall," Elder says. "Rather than being impressed by a title, find out what it takes to get one of these titles."

## Gut check

Once you've narrowed down your search to three or four candidates, schedule interviews with each one to ask questions and see whether the adviser is a good match for you.

It's important to find someone with whom you're personally comfortable because you're going to be building a long-term relationship with the adviser, says Marilou Long, a co-CEO at Crossvault Capital Management.

Harrell agrees, comparing choosing an adviser to choosing a doctor. A doctor could be well qualified, but if you dislike the bedside manner, you'll select someone else.

"You need to make sure you like them. You've got to enjoy visiting with them," Harrell says.

Don't hold back with any questions you See **ADVISER**, Page 19B



CATHERINE DOMINGUEZ / SAN ANTONIO BUSINESS JOURNAL

Marilou Long, co-CEO of Crossvault Capital Management, says personality matters in a financial advisor.

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## Financial Institutions Offering Green Banking Services

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Ranked by number of local employees

| Rank | Institution name<br>Address<br>Phone, Fax (Year est. locally)   | Total no. of local staff | No. of local green banking accounts | Free green services offered   | Cost savings for going green/<br>Offer incentives for going green | Parent company/<br>National headquarters   | Green officer/<br>Area manager  |
|------|---|--------------------------|-------------------------------------|---|---|--|---------------------------------|
| 1    | <b>JPMorgan Chase</b><br>1020 N.E. Loop 410, 78209<br>829-6100, DND (1947)                                  | 4,250                    | NA                                  | Online banking, bill pay, mobile banking, account alerts sent by phone or e-mail  | DND<br>DND  | JPMorgan Chase & Co.<br>New York           | James Fuschetti<br>Jay Clingman |
| 2    | <b>USAA</b><br>9800 Fredericksburg Rd., 78288<br>498-5186, 498-0378 (1983)                                  | 3,800                    | N/A                                 | Web BillPay, deposit@home, Online banking, mobile banking, mortgage loan documents/status mortgage application, auto loan with e-signature, car buying services | N/A<br>N/A  | USAA<br>San Antonio                        | Steve Basilotto<br>Joe Robles   |
| 3    | <b>Broadway Bank</b><br>1177 N.E. Loop 410, 78209<br>283-6500, 283-6654 (1941)                              | 673                      | NA                                  | Personal online banking, bill pay, direct deposit, iStatements, mobile banking  | DND<br>Yes  | Broadway Bancshares<br>San Antonio         | DND<br>Shaun Kennedy            |
| 4    | <b>Generations Community Federal Credit Union</b><br>P.O. Box 830968, 78283<br>229-1800, 554-3569 (1940)    | 213                      | 11,000                              | Online banking, online billpay, e-statements, ConnectExpress  | DND<br>DND  | DND<br>DND                                 | DND<br>DND                      |
| 5    | <b>PlainsCapital Bank</b><br>5010 University Ave., P.O. Box 271, 79408<br>806-795-7131, 806-791-6866 (2004) | 26                       | 536                                 | eGreen checking, e-statements, internet banking, mobile banking, bill pay   | N/A<br>Yes  | PlainsCapital Corporation<br>Dallas        | N/A<br>Mike Molak               |
| 6    | <b>Valero Federal Credit Union</b><br>One Valero Way, 78249<br>345-2222, 345-2338 (1980)                    | 23                       | 3,586                               | e-Statements, bill payment, online banking  | DND<br>Yes  | Valero Federal Credit Union<br>San Antonio | Sean Murphy<br>Sean Murphy      |

Research by Kim Maureen Hernandez

**NOTES:** Information provided by firm representatives in response to faxed and e-mailed surveys.

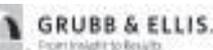
Frost National Bank, San Antonio Federal Credit Union, Wells Fargo, SNB Bank of San Antonio, Sterling Bank and United SA Federal Credit Union declined to participate in this year's list.

BBVA Compass Bank, among institutions which may have ranked on this list, did not respond before press time

DND- did not disclose N/A- not available

It is not the intention of this list to endorse the participants nor to imply that a bank's size or numerical rank indicates its quality of service. We reserve the right to edit entries or delete categories for space considerations.

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## ADVISER: Choosing an adviser involves some research and face-to-face interviews



Danny Buck and Reid Harrell of The Trust Co. say following through and calling references is important.

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might have. Long suggests asking about the adviser's investment style to get the conversation started. "See if the investor is focused on you," she says.

Ask advisers to describe the process they use to help clients achieve their goals. And make sure you understand the answers to your questions. If explanations are convoluted or evasive, steer clear.

Don't hesitate to ask how the adviser is paid. Compensation methods vary and include fee-based and commission-based payments. Advisers who earn commission make money based on your purchases, whereas a fee-based adviser earns a predetermined amount, whether a percentage

of the client's portfolio, an hourly rate or a retainer.

For example, at Crossvault, an investment advising company, fees increase as the client's portfolio grows.

"If we're not doing well, the clients leave," Long says, highlighting the self-regulating nature of the method.

Brokers, who usually work on commission, are not held to a fiduciary standard. Unlike financial advisers, brokers have no legal responsibility to notify clients of a conflict of interest, though good brokers disclose that information, Elder says. Brokers must recommend suitable investments for their clients, but not necessarily the best investments.

No compensation method is necessarily better than another, Elder says, but clients need to be aware of how their adviser is paid so they aren't pushed into buying something they don't need.

Next, ask the adviser for references, and then follow through and make those calls.

"If it's awkward, it shouldn't be," Harrell says. "I'm proud to give references. If the advisor does a good job, it shouldn't be a problem."

### Not set in stone

Once you've chosen a trustworthy adviser, understand that this does not have to be a permanent relationship. Be aware of any warning signs during your relationship — such as an adviser pushing you to take action immediately, Long says.

"Anyone who says you're about to miss an opportunity, that's a real red flag," she says.

You should have time to be thoughtful about your financial decisions. An adviser should help you determine what's best for your circumstances and your risk tolerance. That's a process, not a quick decision, Long says.

She reminds anyone searching for a trustworthy financial planner that it's better to do your homework early.

"They're (consumers) going to be investing over a long time, so it's better to take time at the beginning" to make a wise decision," Long adds.

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### Questions to ask a potential investment adviser:

- What experience do you have, especially with people in my circumstance?
- Where did you go to school? What is your recent employment history?
- What licenses do you hold? Are you registered with the SEC, a state, or FINRA?
- What products and services do you offer?
- Can you only recommend a limited number of products or services to me? If so, why?
- How are you paid for your services? What is your usual hourly rate, flat fee, or commission?
- Have you ever been disciplined by any government regulator for unethical or improper conduct or been sued by a client who was not happy with the work you did?
- For registered investment advisers, will you send me a copy of both parts of your Form ADV?

Source: [www.sec.gov](http://www.sec.gov)

### Background check

Texas State Securities Board  
[www.ssb.state.tx.us](http://www.ssb.state.tx.us) | (512) 305-8300

U.S. Securities and Exchange Commission disclosure site: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

The Financial Industry Regulatory Authority broker check site: [www.finra.org/Investors/ToolsCalculators/BrokerCheck/index.htm](http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/index.htm)

Learn more about professional designations at: <http://apps.finra.org/DataDirectory/1/prodesignations.aspx>