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Finding a reputable financial adviser

By [Diana Cawfield](#) • Bankrate.com

Watching the recent investment fraud of Earl Jones unfold, many investors may be shaking their heads at the injustice of the theft of life savings. The stark bottom line in the case was the fact that Jones was not a licensed sales representative. One simple phone call, or quick web search, may have saved his clients from losing any money.

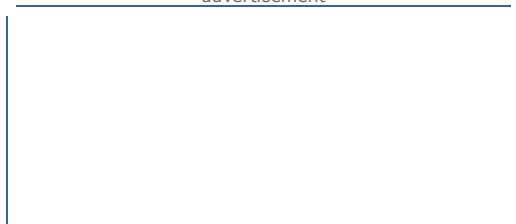
"The starting point is that clients do their homework," says Ian Russell, president and CEO of the Investment Industry Association of Canada, or IIAC, in Toronto. "The first step is to make sure that you're dealing with a regulated investment process, but people seem to schlep over that, so hopefully these episodes will be a wake-up call."

Russell considers the best safeguard is to find out if the adviser *and* the firm he says he is associated with are registered with the Investment Industry Regulatory Organization of Canada, or IIROC, the country's main investment industry watchdog. It's simply a matter of clicking onto the [IIROC web site](#) to confirm that the individual and the firm are properly registered.

While ensuring your adviser and his employer are registered is no guarantee your portfolio will end up flush, it's the first step in protecting your assets. Registration ensures that all monies will be properly deposited and that you'll get the proper statements outlining where your funds are being invested.

"Despite the criticism about our industry," says Russell, "the industry has got a lot of safeguards and the technology to ensure the proper handling of securities, record keeping, disclosure documents and tax reporting."

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Read the fine print

With more than 100,000 individuals in Canada who call themselves investment advisers, with an alphabet soup of designations, it's crucial to read the fine print on business cards, says Ottawa-based financial planner Marc Lamontagne, who holds the CFP, RFP and FMA designations.

"A lot of people don't realize that the term financial planner is not regulated," says Lamontagne, "so basically anybody can print up business cards with the title and there's no law to stop them." On the other hand, if someone calls himself a Certified Financial Planner, or CFP, that designation is regulated by a licensed body -- the [Financial Planners Standards Council](#).

The second most important thing to consider when researching a new adviser, says Lamontagne, is the financial adviser's experience. Investors who have lived through the technology bubble, the resources spike and fall, along with today's volatility, well-recognize the advantage of experience in managing money and avoiding risk.

Understand your needs

Lamontagne suggests starting with the end in mind when it comes to finding a suitable adviser. Ironically, not all financial planners actually do financial planning. Some concentrate on investment management, some do basic retirement planning, some are licensed to sell only mutual funds, while others may specialize in products for your kid's education.

So ask yourself: Do you need someone with a lot of tax experience, someone who specializes in estate planning, someone to manage your retirement funds or do you have some other investment needs? Don't stop there. Are you looking for just mutual fund products or someone that offers the full service of selling stocks and bonds? Not all advisers are licensed to sell the full range of investment products.

To help you find a suitable adviser, Lamontagne suggests talking to family, friends or colleagues who are in a similar circumstance to yourself for recommendations.

Your responsibilities

While personal contacts are a good source of recommendations, it's up to the individuals to sit down with an adviser, check out his accreditations and see if he or she offers the services they're looking for.

"Most important, be a good consumer," says Warren Baldwin, regional vice-president of T. E. Financial Consultants Ltd., in

Toronto. "It's amazing -- the biggest failure of investors is they don't check out designations, experience or how the adviser is paid. Yet they wouldn't go to a doctor that didn't have a medical degree or even have a roof repaired if they didn't know how much it would cost or if the person had any experience."

Find out the basics of how the adviser is compensated, which products they sell and what services are offered for the fees charged, says Baldwin. A commission-based adviser, who earns compensation by selling products or trading stocks, differs greatly from a fee-based adviser, who doesn't sell products. So be aware of the various compensation options and any bias toward a product. Comparison shop among advisers, and don't be afraid to move your account if you don't feel comfortable in how your money is being handled.

To check out advisers through a reliable web source, Baldwin and Lamontagne recommend the [Institute for Advanced Financial Planners](#), where you can search by expertise and find out who's available in your area. You can also check out the [Financial Planners Standards Council's web site](#).

With today's access to information, be a wise investor and put the same effort into finding a good adviser that you would put into finding a reputable family doctor.

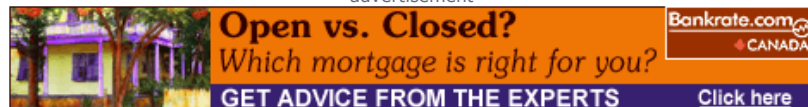
Diana Cawfield is an award-winning freelance writer, specializing in finance, health sciences and corporate communications.

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Unless otherwise stated, all dollar figures are in Canadian dollars.

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