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VOICES FROM THE INDUSTRY Heed the warning signs when picking financial advisor

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For many investors, picking a financial advisor is like Forrest Gump picking chocolates: you never know what you're going to get. It doesn't need to be this way. Although there is no sure-fire formula for picking a good advisor, an investor can greatly increase the chances of a good selection by focusing on the following important issues.

There is no substitute for experience. Look for an advisor with at least 10 years experience advising investors, and 15 to 20 years is even better.

A good advisor learns from his mistakes, and after at least 10 years, he's made a lot of them. He's also seen all the ups, downs and sideways of the markets. If you need heart surgery, do you want a surgeon doing one of his first 50 procedures on you? Of course not, so do you really want a rookie doing surgery on your nest egg?

Check it out

Check the public record for valuable information about the advisor. On the Internet, go to www.nasd.com or call the Indiana Securities Division at (317) 232-6681 and check out the advisor.

You can see if other investors have complained about him, whether he has ever filed personal bankruptcy, or has been fired by a prior employer.

Look for an advisor with a clean public record. Although this may sound harsh, if an advisor has a single black **mark** on his public record, I wouldn't work with him. In this area, I've found that the trend is your friend. One black **mark** often leads to another and another.

You don't want to be the next victim of a serial bad advisor. Would you want a baby-sitter watching your kids who had only been accused once of childmolesting? Obviously not, so why would you want a once-accused investor molester watching your life precious savings?

Education counts

Pick an advisor who is smart. More formal education is better than less. Bachelor's degrees from reputable colleges and universities are better than something less. Masters degrees and other postgraduate experiences are even better.

Certain industry designations such as the CFP (certified financial planner) demonstrate successful completion of additional training to better advise investors.

Up front, a good financial advisor makes it clear to you exactly how he is paid. Whether it's by commissions, a percentage of assets under management, flat fees, or some combination thereof, he makes it clear early on.

If he doesn't, you shouldn't work with him. An advisor who hides the way he is compensated usually does so for a bad reason, and this is reason enough for you to work with somebody else.

Investors often are impressed by the wrong reasons to work with financial advisors. Here is a short list of the wrong reasons to hire an advisor: He goes to my church, temple or mosque and shares my religious beliefs; I've known him or his family for many years; He seemed like a great guy over lunch, dinner, or drinks; He was really fun during a round of golf and has a strong short game; He was highly recommended by someone at work;

He gave me three references to call and everyone said he was really good.

Unfortunately, none of these reasons speak to the experience, competency or integrity of an advisor. Shockingly, many investors choose their advisors based primarily on these reasons.

A good advisor asks you about your financial goals and objectives, and tailors his advice to your specific situation. He doesn't engage in "one size fits all investing" where virtually all investors end up with the same portfolios or products.

A good advisor talks to you about risk, and wants you to understand all the possible risks of investing.

A bad advisor glosses over the risks and tells you with great confidence that it is relatively simple (with his approach) to dramatically outperform the markets.

Advisors who trumpet their unparalleled ability to greatly outperform the market are not credible. These are the ones you need to avoid like an Ebola virus.

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