



BREAKWATER
CAPITAL GROUP



SECURE YOUR FINANCIAL FUTURE:

A Guide for Choosing the Right Financial Advisor

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Introduction

Choosing who will help guide your future financial decisions and manage your assets is one of the most crucial decisions you will ever make for yourself and your family. As your assets grow, so will the complexities that impact your financial life, increasing the importance of finding the right financial professional for your needs.

Think about this: More than 370,000 financial advisors in the U.S. provide advice for a fee, while hundreds of thousands sell investment and insurance products for commissions. The key to picking the right advisor is to choose one with the expertise you seek, the utmost integrity in all that they do and serve as a fiduciary who is duty-bound to put your financial interests first, at all times.

Have you chosen the best financial professional(s) or an “advisor” with the best personality and sales skills? Your choice largely hinges on your approach to making this vital decision.

Our eBook provides an overview of the knowledge you need to select a skilled and trustworthy financial partner and includes insights on identifying, evaluating, and establishing a lasting relationship with the right financial advisor.

Applying these proven principles greatly improves your odds of finding a fiduciary you can trust to help you pursue your financial goals.

To your financial well-being,
*The Team at Breakwater
Capital Group*

All Financial Advisors Are Not The Same

It's a common misconception that all advisors are the same. Even though they may all be licensed or registered providing the same or similar services, the client experience may be drastically different. Compensation structures vary depending on the products or services offered which may create a conflict of interest. The ethical standards also vary, some requiring just simply knowing the customer to more rigorous fiduciary standards. The nuances here may seem subtle, but are anything but.

These facts complicate the process of finding a true financial advisor who puts your financial interests first.

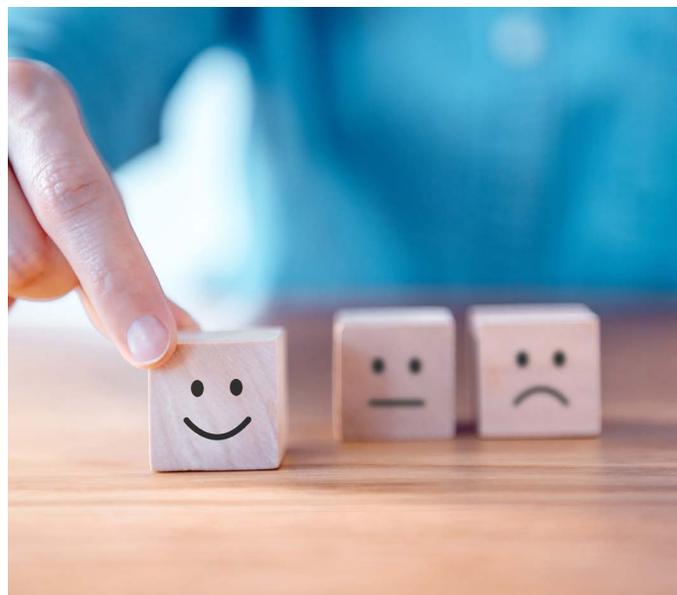
Let's take a closer look.

ETHICAL STANDARDS

Two main types of advisors are differentiated by their licenses and registrations, which we discuss below.

1. The Fiduciary Standard

These advisors are Registered Investment Advisors (RIAs) or Investment Advisor Representatives (IARs) who charge fees for their knowledge, advice, and services. They're bound by the highest ethical standards in the industry and must put your financial interests ahead of their own.



They provide impartial advice, avoiding conflicts of interest that can impact the recommendations of advisors compensated with commissions. Plus, the compensation for fee-only fiduciary advisors comes from clients and not third parties who manufacture investment products.

Fiduciary financial advisors offer comprehensive wealth management services that include:

- Financial planning for life choices during working years
- Advice and services for transition years (working to retirement)
- Early, mid, and late-stage retirement planning
- Tax planning to minimize liabilities and improve net returns
- Investment management advice to increase and preserve assets
- Charitable strategies to reflect your values and beliefs
- Legacy and estate planning to secure your family's future

- Specialized services for business owners and entrepreneurs
- Family-office services

2. The Suitability Standard

These advisors are licensed to sell investment or insurance products for commissions. They may also be called stockbrokers or registered representatives.

The suitability standard is a guideline that requires advisors to recommend investment products and strategies deemed appropriate for investors based on their knowledge of your financial circumstances, risk tolerance, and goals.

This ethical standard doesn't require advisors to provide the best possible recommendations; they must only be suitable based on the financial advisor's expertise.

This advice may come with potential conflicts of interest, such as selling products from companies offering the highest commissions or promoting proprietary financial products from the advisor's company because they are more profitable.

In summary, the industry allows companies and advisors to operate under the suitability standard, even though it might not result in the best possible outcome for investors.

How Compensation Influences Financial Advice



Before entrusting a financial advisor with your assets, it's crucial to understand their methods and amounts of compensation. Advisors should be willing to provide documentation detailing this information so there is no risk of misunderstandings.

Why insist on documentation? Verbal information may be part of a financial advisor's sales strategy. Plus, there is no written record of what was said to you. If there is a future dispute, it becomes a matter of your word against theirs.

If advisors are reluctant to document how they are compensated, who pays them, and how much, consider this a major red flag for a potential conflict of interest that could put your financial needs at risk.

Following are the three main types of advisor compensation, each affecting how they interact with you and invest your assets:



Fee-Only

Advisors charge a straightforward fee, which could be hourly, fixed, or based on your assets under management. This model is preferred by savvy investors because it aligns the advisor's interests with yours, avoiding potential conflicts of interest based on compensation.



Commission-Only

These advisors earn commissions by selling different types of investment (mutual funds) and insurance (annuities) products. They are paid to sell products and typically do not offer ongoing advice or services unless there are trailing commissions.



Fee-Based

This hybrid approach combines fees and commissions. Advisors may charge a fee for managing larger accounts and earn a commission for smaller accounts that fall below their minimums for fee-only advice. Advisors may be more highly compensated if they sell one service model or product vs. another.

When interviewing potential advisors, look out for these red flags:

- **High-pressure sales tactics**
Avoid advisors who aggressively push certain products or claim their advice is free. Remember, nothing is truly free—someone compensates them for their time and services.
- **Vague fee structures**
If an advisor is not transparent about their compensation, it's best to steer clear of that relationship if you don't understand how they are paid, how much, and by whom.
- **Overpromising returns**
Steer clear of advisors who promise unusually high returns with minimal risk. This sales tactic is usually verbal and aimed at less experienced investors.

COMPLIANCE AND DISCLOSURES

Advisors must disclose any disciplinary actions, conflicts of interest, or other actions that could impact the integrity of their advice. It's essential to check an advisor's compliance record through resources like the SEC's Investment Adviser Public Disclosure (IAPD) website or FINRA's BrokerCheck.

Disclosures aren't necessarily deal-breakers but provide important context regarding the advisor's professional conduct and trustworthiness.



Top Ten Questions to Ask Potential Financial Advisors

By now, you have probably determined that choosing a quality financial advisor will take some due diligence. You must ask the right questions and know good answers from bad ones that impact you.

Choosing the right financial advisor should be an objective process that scrutinizes their knowledge, licensing, registrations, compensation, transparency, and ethical standards. All this information should impact your selection decision - after all, it is your money!

Too often, people choose advisors based on their personalities and sales pitches. Remember the old rule: If it is too good to be true, it is probably not true. While it's nice to like your advisor, selecting a professional based on their expertise and trustworthiness is more important.

Be as thorough as possible, ask the right questions, and require documentation for important details. Do not base your final selection decision solely on verbal representations.

Following are ten questions that will make your selection decision easier and safer.

1. Are you officially recognized as a fiduciary in your service agreement? Ensuring this confirms that the advisor is committed to prioritizing your best interests.
2. How are you compensated, how much, and by whom? Knowing this helps spot potential conflicts of interest.
3. What is the total cost of the financial advisor's services (all layers of fees deducted from your accounts)?
4. Do you work with clients like me?
5. What services do you provide beyond investment advice? Many advisors offer financial planning, estate planning, and tax strategies.
6. Where did your expertise come from? College degrees? Professional Designations (CFP®, CPA, CFA®)? Years of experience? All of the above?
7. How will we communicate, and how often? Meet in person or virtually? Quarterly performance reports? Annual planning reviews? Another way of saying this is "What will be my client experience?" What expectations do you have of me and what expectations should I have of you?"
8. Have you ever been subject to any disciplinary actions? Understanding regulatory histories is crucial. It's a matter of trust.
9. Who do you work for? Are you an employee, an independent contractor, or the owner of the advisory firm?
10. How do you customize your advice and services for individual clients?



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GET TO KNOW BREAKWATER CAPITAL GROUP

As fee-only fiduciary financial advisors, our approach centers around a commitment to your best interests, free from the pressures of selling any type of investment products.

This means our advice is based solely on what's best for you, whether you're planning for your family during working years, selling a business, or securing a comfortable, secure retirement.

We understand everyone has unique needs, so we don't just manage your assets; we build lasting relationships and provide wealth management solutions based solely on your current circumstances, timelines, goals, and tolerance for risk.

In other words, we do not recommend one-size-fits-all solutions.

Let's talk about your plans for a secure financial future.

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