



VIEW*S* & VISIONS

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Before Choosing a Financial Advisor, Know Thyself

Will W. Carter, J.D., Director of Wealth Management
McKinley Carter Wealth Services

Will W. Carter is a principal and co-founder of McKinley Carter Wealth Services and also serves as director of wealth management. He is an attorney whose career started in the public sector, working on a wide range of health, education, welfare and environmental matters in West Virginia, including serving as executive assistant to then-Governor Gaston Caperton.

A lifelong West Virginian and part-time touring musician, he writes about the relationship between wealth and well-being on the McKinley Carter blog: <http://blog.mckinleycarter.com/authors/willcarter>. He also serves on the boards of several privately-owned businesses and nonprofit organizations.

Mr. Carter has a law degree from New York University and earned bachelor's and master's degrees in history from Harvard University.

There are many types of financial advisors. Some are generalists, some are specialists. Some are paid transaction-based commissions, some charge a percentage of assets managed and others bill an hourly or flat fee. Some are legal fiduciaries obligated to serve your best interests, others count on you to know what you need and are required only to avoid doing something obviously unsuitable.

No advisor can be all things to all people. To increase the likelihood that you secure the combination of financial products and services you need, it helps to consider the following different types of financial expertise found in the marketplace:

Technical financial expertise

This is the most common type of expertise found in the financial services industry, which organizes advisors into “core” categories of expertise such as investing, insurance, banking, saving taxes and financial planning. Relatively sophisticated and financially successful people may secure the highest return on their investment of time and

Investing in a Good Life

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money with a financial advisor by focusing on more “complex” domains of personal finance including career and business, real estate and other illiquid assets that cannot immediately be turned into cash (e.g., private placements, deferred compensation).

The challenge for high-performing professionals and executives is to know when, and when not, to rely on technical experts.

The challenge for high-performing professionals and executives is to know when, and when not, to rely on technical experts. This requires the humility to assess whether an expert may know more than you do, the discipline to evaluate the opportunity cost of being a “do-it-yourselfer” even if you do have the competence to do so, the prudence to avoid spending money unnecessarily



and the management skills to specify clear measures of success. What experts and metrics are missing from your team?

Strategic financial expertise

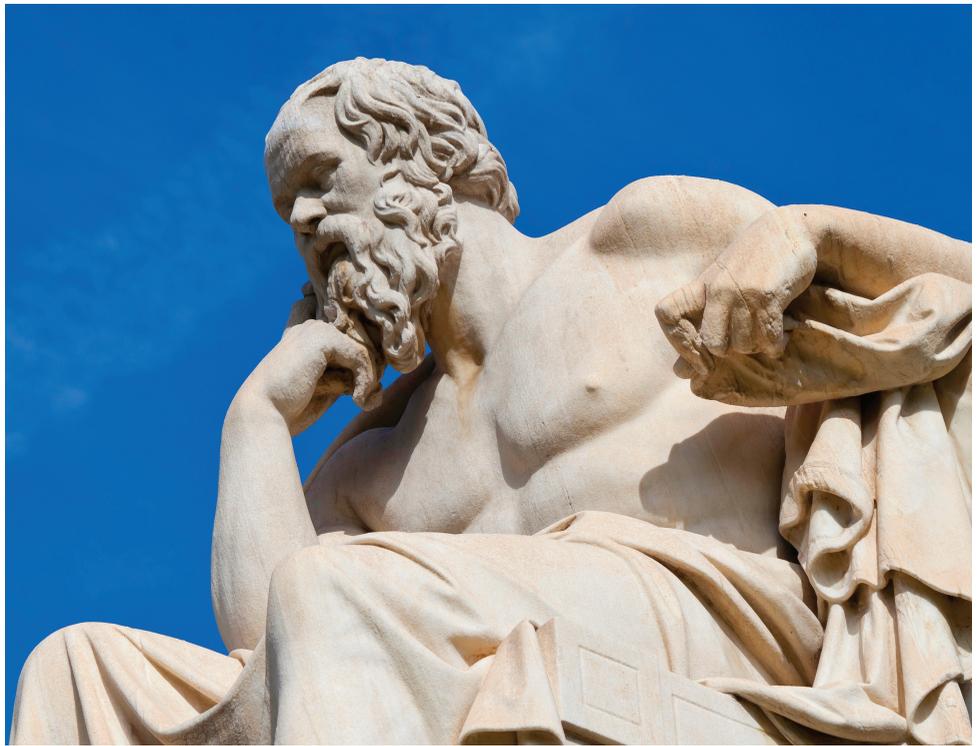
Even the most talented team of experts will not maximize your return on investment of time and money unless someone designs and oversees implementation of a strategy to align all efforts toward a clearly articulated goal. Advisors with strategic expertise offer a blend of educational, motivational, design and referral services to help you manage your money in ways that maximize the value of an even scarcer resource – your time. They often provide their greatest value through conversations that specify not only your financial goals, but also how your personal ambitions will shape, and be shaped, by those goals.

To assess whether you may need an advisor with strategic financial expertise, ask yourself whether you (or someone advising you) are very clear about the following:

- What does a “good life” mean to you?
- How much does it cost you to live the life to which you are accustomed?
- How much do you need to earn, save and invest to cover those costs, now and without having to work into old age?
- How do you want your financial strength to help others you care about (e.g., family members, community causes or charities) during and after your life?
- What sequence of actions are you and others committed to take to produce those desired outcomes?

Administrative financial expertise

Many financially successful people are too busy to organize the information, prepare the documents, schedule the appointments and handle the other administrative tasks involved in coordinating their team of experts toward a specified strategic goal. For instance, if you do not maintain a “dashboard” that reports the details of your financial facts of life (e.g., assets, liabilities, asset allocation, cash flows), then you



should consider securing the equivalent of a “personal financial assistant” to meet this essential need and other administrative tasks.

Different people need different combinations of expertise working on their behalf. Having considered in advance the types of financial expertise that you think will complement your strengths and fill your gaps, you will be ready to make the most of your time talking with potential financial advisors.

As you do so, let each prospective advisor guide you through his or her introductory processes without initially telling them exactly what you think you need. This not only makes it possible for you to assess what type of financial expertise they offer naturally, but it also increases the likelihood that the advisor you are speaking with might specify important financial issues and opportunities you had not already identified for yourself, and thus become a member of the team that will help you take the best possible care of your total financial situation – now and in the future. ▽