## 10 Questions To Ask Your Wealth Manager And The Answers You Want

## **10 Questions to Ask Your Next Wealth Manager**

## **1. What is your minimum asset requirement?**

If you’re a high net worth or ultra high net worth individual, you want a financial advisor who works exclusively with people like you. That person will often call themselves a wealth manager.

If you’re the only millionaire on your financial advisor’s client list, they will probably not have the experience to effectively serve you in the ways unique to people of your financial caliber. You need somebody capable of [improving your portfolio performance](https://pillarwm.com/improving-portfolio-performance/), not somebody who’s still learning.

**Answer You Want to Hear:** $10 million or more.

## **2. How long have you been a wealth manager?**

Be careful that you ask this right. You don’t care when they graduated college or got their licenses and credentials. You don’t care when they began their career in financial planning. You want to know how long they’ve been working with high net worth clients as a wealth manager.

Yes, everyone has to start somewhere. But no army puts a fresh-out-of-bootcamp soldier in command of an entire mission.

[Get a wealth manager](https://pillarwm.com/the-road/) with enough experience to set your mind at ease. Keep in mind that some firms may boast years of experience, but not every advisor on their team has the same amount. Will you end up with a newer advisor managing your portfolio? What kind of assurances do you have that they won’t do this to you?

**Answer You Want to Hear:**At least 10 years. Answers may vary.

## **3. How long do your clients stay with you on average?**

Wealth management, when it’s working, is a decades-long relationship. Your confidence in your wealth manager should increase if he’s had clients work with him all the way to the end of their lives.

That kind of loyalty and commitment indicates this wealth manager’s clients feel at peace about their long term financial security and their [investment performance](https://pillarwm.com/improving-portfolio-performance/). But if he has clients jumping in and out every couple years, that’s a serious warning sign.

**Answer You Want to Hear:**Close to the wealth manager’s years of experience. If he has 20 years of experience, look for clients who’ve been with him for over 15 years on average. If 30 years of experience, then over 25 years average.

## **4. Are you a fiduciary?**

This one’s simple. Yes. [You want a fiduciary](https://pillarwm.com/the-road/).

A fiduciary is required to act in your best interests in all their recommendations and advice. That means they only propose a certain course of action if it benefits you. If they suggest a particular investment vehicle, they will inform you of the costs it includes. They disclose everything, hide nothing, and put your goals and optimized outcomes as their highest priority.

For this reason, you will very likely save a lot of money in costs and fees with a fiduciary. Even more, you won’t be cornered into something like an annuity that benefits the person selling it more than it benefits you. Everything will be on the table at all times.

**Answer You Want to Hear:**Yes.

## **5. What is your philosophy about active vs passive management?**

Active management means your wealth manager puts your money in the hands of money managers who try to outperform the market. This can include buying and selling equities with great frequency, and trying to time the market based on research, gut instincts, and personal preferences.

Passive management is a more long-term approach that doesn’t utilize active money managers, but relies on the market to determine your returns.

The fees for passive management are one fifth (or even less) than the fees for active management. Many active money managers charge 1% or more of the value of the investments under their control. Passive managers usually charge 0.2% or even less. Sometimes much less.

This means the active manager must outperform not just the market, but the passive manager too by at least this cost difference simply to produce the same net gains. The reality is, hardly any of them do, especially over five and ten year periods. This is one of [7 warning signs](https://pillarwm.com/ebook-short/) your advisor is leading you on a path of financial anxiety and uncertainty.

In other words, most active managers earn lower returns, but they charge more. Does that seem like a good deal for you?

In fact, in 2007 Warren Buffett bet $1 million that over the next ten years, the S&P 500 Index would outperform a group of actively managed funds. Buffett believes so strongly that active management is an unwise use of time and money that he staked $1 million of his own money on it. Protégé Partners took him up on the bet.

Ten years later, Warren Buffett won. The S&P 500 generated average returns of 7.1% and the actively managed funds only earned 2.2%. (For the record, Buffett donated his winnings to charity).

Be like Buffett. Avoid relying solely on active management.

**Answer You Want to Hear:**Passive management achieves equivalent or better returns at far lower costs to you. But passive management alone isn’t the way to optimize investment performance.

What you’re looking for is what we call strategic management.

## **6. What do you do to minimize my costs?**

First, if they’re a fiduciary, you already know they’re going to try to minimize your costs. That’s their job. But you need more than that. You need to know they understand the specifics of how to do this. You want examples of [how much these costs can drain from your investment performance](https://pillarwm.com/watch-helplessly-6-hidden-avoidable-investment-costs/).

Ask for specifics. You want to hear about taxes, commissions, fees, and internal expenses.

You want to be shown the difference between long and short term capital gains, how short term gains are triggered by overconfident active managers, and how much you can save by avoiding them.

This question gives your wealth manager the chance to reveal their expertise. This allows them to show off a little. Because what they’re showing off are ways to save you hundreds of thousands of dollars.

**Answer You Want to Hear:**Use strategic management, charge no commissions or hidden fees, disclose everything, minimize taxes.

## **7. How often do you update my financial plan?**

Far too many wealth managers just create your plan during your initial consultation. But then, once you’re in their fold, your plan just sits there buried in a drawer.

Even some fiduciaries do this, because they haven’t acknowledged the inescapable reality that all plans become obsolete in a matter of years.

To preserve the long term health of your portfolio and maintain peace of mind about your finances through the duration of your retirement, [you want a wealth manager](https://pillarwm.com/the-calendly/) who updates your plan every quarter.

This allows them to continually update your [asset allocation](https://pillarwm.com/on-a-quest-for-the-best-uhnw-asset-allocation-it-doesnt-exist/), update your goals, account for significant changes in your life situation, adjust for market changes, and rerun your long term projections.

Some wealth managers do this once a year, but that’s simply not enough. Too much happens in the financial markets and in your life within a year. If they don’t update your plan every quarter, move on.

**Answer You Want to Hear:** Once a quarter.

## **8. Do you believe you can outperform the market?**

According to the SPIVA US Scorecard, produced by Standard and Poor, 92.33% of large cap money managers, 94.81% of mid-cap managers, and 91.17% of small-cap managers failed to exceed their benchmarks in market performance over a 15-year period ending in 2017.

Long term is what counts. In a given year, anything can happen. But over 15 years (or more), which is a better approximation for how long your wealth manager will be working with you, active managers fail to beat the market, almost universally.

Yet, many financial advisors and wealth managers persist in believing they can outperform the market. And many of their clients persist in searching for that one manager who has the ‘magic touch.’

Don’t bother. It’s a waste of time.

You are highly unlikely to find someone who can consistently outperform the market AND keep your costs lower than a more strategic manager. And if you did, it’s doubtful that lone star would offer expertise in all the other services you need as a high net worth individual. Those other services in many ways matter more than investment performance. This is another of the [warning signs](https://pillarwm.com/ebook-short/) your advisor is costing you money.

When you ask this question, an insecure wealth manager who is unsure of his own position on the issue will hesitate to answer. But a wealth manager who knows the facts will answer immediately, and their answer will be the one you want to hear:

**Answer You Want to Hear:** Highly unlikely, and that’s why I use a strategic approach.

## **9. When I call with a question, who will I be talking to?**

You want personal, concierge-style service. Not a random team of phone specialists hired from India. And not newbies fresh out of college handling all this ‘low level customer service’ stuff.

There’s nothing low level about this.

You want your wealth manager on the phone when you have a question, the one who is passionately devoted to [the art of protecting your wealth](https://pillarwm.com/free-hardcover/). That’s the person who knows you and your situation and can advise you the best.

**Answer You Want to Hear:**Me.

## **10. How can you help me feel secure that my money won’t run out?**

Even if a wealth manager gives you all the answers you want to hear on the first nine questions, chances are they will have a tough time with this last one.

And unlike the other nine, it’s fairly difficult to give you a quick answer, even for a wealth management company that does know how to provide the security you seek with your funds.

Here’s the answer you want to hear:

Long term [financial security](https://pillarwm.com/true-story-of-advisor-giving-false-sense-of-financial-security/) – having the confidence that your money will never run out as long as you live – can be found only by applying rigorous stress tests to your portfolio. For us, this means running 1000 possible real world scenarios, including never-before-seen extreme scenarios such as a terrorist attack during a Great [Recession](https://pillarwm.com/ignore-recessions-for-high-ultra-high-net-worth-eyes-only/) while you’re unemployed due to a medical crisis.

History has shown how markets performed through depressions, wars, one-day flash crashes, inflationary periods, and political upheaval here and around the world.

The approach capitalizes on that data, using it to project how well your portfolio holds up in 1000 possible scenarios. Few other stress tests compare to the rigor of this one.

If your portfolio remains healthy, and your goals intact, through 75-90% of these scenarios, consider yourself on track and secure for the future. In that instance, you can rest easy and know you’re taken care of.

If your portfolio falls outside that Comfort Zone, either above it or below it, the wealth manager discusses with you options for adjusting your plan that will get your portfolio back within the Comfort Zone.

You can accomplish this in part because you adjust your plan every quarter already. If you waited a year, or five years, before discovering you were no longer financially secure, the steps required to repair your portfolio would be much more drastic.

**Answer You Want to Hear:**See above.

At least 10 years. Answers may vary.

**3.How long do your clients stay with you on average?**

Close to the wealth manager’s years of experience. If he has 20 years of experience, look for clients who’ve been with him for over ten years on average. If 30 years of experience, then over 20 years average.

**4.Are you a fiduciary?** Yes.

**5.What is your philosophy about active vs passive management?**

Strategic management – not passive or active – achieves equivalent or better returns at far lower costs to you.

**6.What do you do to minimize my costs?**

Use strategic management, charge no commissions or hidden fees, disclose everything, minimize taxes.

**7.How often do you update my financial plan?** Once a quarter.

**8.Do you believe you can outperform the market?**

Highly unlikely, and that’s why I use a more strategic approach.

**9.When I call with a question, who will I be talking to?** Me.

**10.How can you help me feel secure that my money won’t run out?**

See above.