Angela Rizzolo: Thank you very much. Now Pam Felton from our Seattle office will introduce our final speaker.

Pam Felton: Thank you, Angie. It is my pleasure today to introduce our third guest speaker, Mackey McNeill. Mackey McNeill is the President and CEO of companion companies, the Advisory Team LLC, CPAs and Business Advisors, and the Wealth Advisory Team, Investment Managers and Prosperity Planners.

These firms have been recognized as one of the largest women-owned businesses in Greater Cincinnati. She is a frequent radio show guest and writes a regular column on current financial topics called Smart Women, Smart Money.

Mackey has also authored the award-winning book, The Intersection of Joy and Money, which was named the Most Life-Changing Book and Outstanding Book of the Year by Independent Publishers. With her experience and knowledge, she presents revolutionary ways in the book to create prosperity.

Mackey is a CPA, a Personal Financial Specialist, and an Investment Advisor Representative. She holds numerous professional honors and has held many leadership roles in business and civic organizations. As a small business person believing in community service, she has made significant contributions to her local Chamber of Commerce, envisioning and instituting cutting edge programs which became models for national and award winning programs.
Please join me in welcoming Mackey McNeill.

Mackey McNeill: Thank you. I want to thank Nicholl and Alyssa for a great introduction to investing. My job today is to talk a little bit about hiring an advisor, and I thought we’d start by talking about different kinds of advisors and different ways that you might go about asking questions of your advisor.

I’d really say that every time I have a new client in my office I really empathize with people who are faced with hiring an investment advisor because it’s a confusing world. It’s a very confusing place to try to find advice and to know who’s who and how they got there. So I’ll try to boil it down as best I can, and hopefully you’ll ask good questions when we’re finished at the points I leave out.

You know, in terms of advisors, I first sort of break people down into people who are on the investment side, who are primarily investment advisors or registered representatives, and people who are more financial planners, and I’ll talk a little bit first about people who are more just on the investment side.

You might have heard the term investment advisor. That’s someone who’s registered with the SEC or with their state Securities Commission, who’s authorized by that registration to give investment advice. Those people typically charge a percentage of assets under management, so they may have minimum fees, and we’ll talk about that with questions a little bit later.

But they’ll take management of your portfolio with discretion or without discretion, meaning that the advisor may say to you, as we were talking about earlier, what are your objectives, and they’ll
understand your risk tolerance, and then they’ll actually execute the
buys and sells on your behalf to make those objectives occur.

On the other side of the table, so to speak, in the investment world are
registered representatives of broker/dealers, and those are people who
give advice on when to buy and when to sell, which I think Alyssa
talked about a little bit earlier. How do you know when to buy and
when to sell?

So, registered representatives typically work for a broker/dealer -- or
they do work for a broker/dealer. They’re not giving investment
advice, as much as advice on when to buy and when to sell a security
or what to buy in the case of if you’re looking for that kind of advice.
They are typically compensated on a commission basis; so they
generate a commission for the trade, and that’s the way that they get
paid.

And as the world gets more confusing, you’ll also find, of course, life
insurance agents that also work in the securities environment and even
banks now. It’s not uncommon to go into a bank and there’ll be an
insurance and/or a securities representative that works in the bank. So
I’ll get into a little bit more about the questions to ask as we talk about
planners.

So, on the investment side you’ve got investment advisors and
registered representatives.

A little broader perspective is when you get into hiring a financial
planner. A financial planner not only assists you with your investment
advisory needs, but they would also help you with things like how
much do I need to save to retire, how do I fund my college education,
how do I take care of my family? You know, what do I do with this inheritance? How do I fund that lake home that I’d like, that second home I’d like to have? You know, what are the choices that I need to make, that I would like to make, and how do those choices impact my financial life?

Really helping us boil down and basically becoming like a quarterback for our financial life is what a financial planner’s role is. You’re still the coach in that you’re the one who’s calling the plays and setting the objectives, but the planner really helps you direct the other people in your life and basically make your financial life work.

They typically start with a financial plan, and that plan will include a plan for your investments. So a good place to start if you’re really confused in the investment world is to actually have a financial plan done, and inside the plan will be a model for you to take to your investment advisor and say okay, here’s how, based on my plan, here’s the amount of risk that I need to take to meet my objective. I understand a little bit more about – because in the planning process you’ll understand more about what that really means. What does risk mean? What is the volatility? How [do] those things work together?

And when you’re hiring a planner, there’re really probably two kinds of planners that you hear the most about. Certainly the largest set of credentials [is] CFPs and that’s a Certified Financial Planner, and that designation is granted by the CFP Board. CFPs have to have three years of work experience and pass a comprehensive exam, and they are bound by a code of ethics. There are about 38,000 CFPs so that’s one of the reasons you’ll have heard that designation. [For more information, visit www.cfp.com.]
The second most common designation is the designation that I have. It’s a CPA/PFS and that stands for Certified Public Accountant/Personal Financial Specialist. In order to be PFS or a Personal Financial Specialist, you have to also be a Certified Public Accountant. To be a CPA you have to pass an exam, have a degree – now you actually have to have a Master’s Degree – and a certain amount of work experience to be a CPA.

Once you’ve become a CPA, you can also then, after you’ve worked with clients in financial planning, with client recommendations – you have to have client recommendations – pass an exam and certify your experience with the AICPA [American Institute of Certified Public Accountants] and become a Personal Financial Specialist. There are over 3,000 Personal Financial Specialists in the country right now.

Another designation that you might have heard about [is] the National Association of Personal Financial Advisors, and there are less than 1,000 of those in the country, but it’s another financial planning designation you might run across.

Whether you’re looking for an investment advisor or someone to give you a little more broad-based or broad-brush advice on your finances, a financial planner, one of the most important things is to ask good questions, and I think women particularly are sometimes challenged with asking pointed questions. But it’s your money and it’s your life, so I really encourage you to just ask the questions that people don’t sometimes want to ask which is, you know, start with what are your credentials? And then ask about their educational background. CFPs, for example, do not have to have a college degree, and if that’s important to you, you’ll want to know that.
How long have you been doing financial planning, and where have you worked? Have you worked for yourself? Have you worked for other people? Maybe you’d like to see a copy of a typical financial plan. Ask if they specialize in a certain area or a certain type of client, for example, divorce or alternative relationships.

What about minimum or net worth requirements? Some advisors require a minimum net worth as part of their acceptance of a client. Ask them how often they send client reports out and if they’re licensed to sell insurance or annuity products as well.

And who’ll actually handle the account? Sometimes the person that you meet with the first time isn’t the person who actually handles your account. And, of course, always ask how they get paid. And as complicated as financial services are in terms of how people are paid, there are really three ways – fee-based advisory work, commission, or commission and fee.

So some advisors, just as we do, just charge a fee. So clients come in and they have a financial plan done, and there’s a fee agreed to – either by the hour or a fixed fee. And then there’s investment advisory work that’s basically by the hour or as a percentage of assets. So that’s considered fee-based advising.

On the other side of the spectrum are commission-based advisors who get paid when there’s a transaction. Either an insurance product is bought or sold or a security is bought or sold or an annuity is bought or sold. In those cases, there’s a commission generated and that’s how the advisor gets paid.
And some advisors charge both. They’ll charge a fee to do a financial plan for you, but then they’ll get paid on the investments as a commission.

There’s no right or wrong way, but I feel very strongly that people have a right to know how their advisor’s getting paid and certainly should not feel uncomfortable in asking that question and should know that - however that person gets paid and what you’re paying them - that you’re comfortable paying them that.

So that concludes what I had to say about advisors and how they get paid and how they’re credentialed.