

ParsecFinancial

WEALTH MANAGEMENT

Finding the Right Financial Advisor

If navigating the complexity of investments, insurance and estate planning is not challenging enough, try figuring out how to find the right financial advisor for you. The marketplace is loaded with brokers, insurance agents and financial advisors promising to put you on the path towards financial security. Nevertheless, how do you differentiate their claims and find the trusted partner that is right for you? To do so, it is important to examine the many differences in advisors, their offerings and their obligations to you – their potential client.

FIDUCIARY VERSUS SUITABILITY STANDARD

Financial advisors are regulated by a variety of governing bodies, each with its own set rules and expectations. The most notable difference relates to an advisor's legal obligation to clients. Under the "fiduciary" standard, advisors are required to put their client's interests above their own and be up front and transparent about any potential conflicts of interest. Investment Advisor Representatives licensed with Registered Investment Advisor Firms, better known as RIA Firms, operate under this standard and always act as fiduciaries. Other advisors operate under a lesser standard known as the "suitability standard." The suitability standard only requires that an investment be "suitable" for a client. These advisors are not required to disclose potential conflicts of interest or make the client aware of less expensive or more tax-efficient alternatives. Traditional brokers and insurance agents generally operate under the suitability standard.

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FINANCIAL PLANNING CAPABILITIES

When seeking a financial advisor, it is important to understand specifically what you want from the advisor. If it is merely to direct existing investments, financial planning may not be important to you. However, if you want to address your broader financial life and understand how individual decisions influence your ability to meet your long-term financial goals, then comprehensive financial planning may be a better option. The financial planning process will generally address the areas of cash flow planning, retirement planning, investment planning, insurance planning, tax planning and estate planning. This holistic approach can give clients a greater understanding of the inter-related issues that determine their financial success and provides greater peace of mind.



PORTFOLIO MANAGEMENT PROCESS AND PHILOSOPHY

When it comes time to develop an investment strategy, it is important to understand how an advisor approaches investing. Does the advisor use set asset allocation models created by the firm or do they use customized allocations dictated by your unique situation? Is the firm limited to mutual funds and annuities or can it build portfolios with individual securities? If you have special circumstances (for example a significant low cost basis holding), can the firm customize its approach to effectively manage capital gains and the related tax impact? As you evaluate this area, it is important to understand the depth of research and portfolio management support within the firm and to share a common investment philosophy with the firm you choose to engage. A value-oriented firm that adheres to a buy-and-hold philosophy would generally not be a good fit for a client that desires higher-risk, high-volume trading.

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When evaluating advisor fee arrangements, it is key for the interests of the client and the advisor to be fully aligned.

ALIGNMENT OF INTERESTS

In evaluating the cost of working with an advisor, it is important to understand the basics of how different advisors are paid.

- **Commission-only advisors:**

Typically serve as registered representatives of financial services companies and receive commissions for selling their products.

- **Fee-based advisors:**

Receive both fees and commission. For example, a fee-based advisor might receive a fee for creating a financial plan, then receive commissions for selling products recommended in the plan.

- **Fee-only advisors:**

Provide advice and ongoing management. Fee-only advisors generally charge a fee based on a percentage of the assets they manage. Since the set fee is the only compensation his or her firm receives, the advisor has no financial stake in the recommendations he or she makes to clients. Only when a client's assets grow in value will the firm see increased compensation.

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REPUTATION AND CREDIBILITY

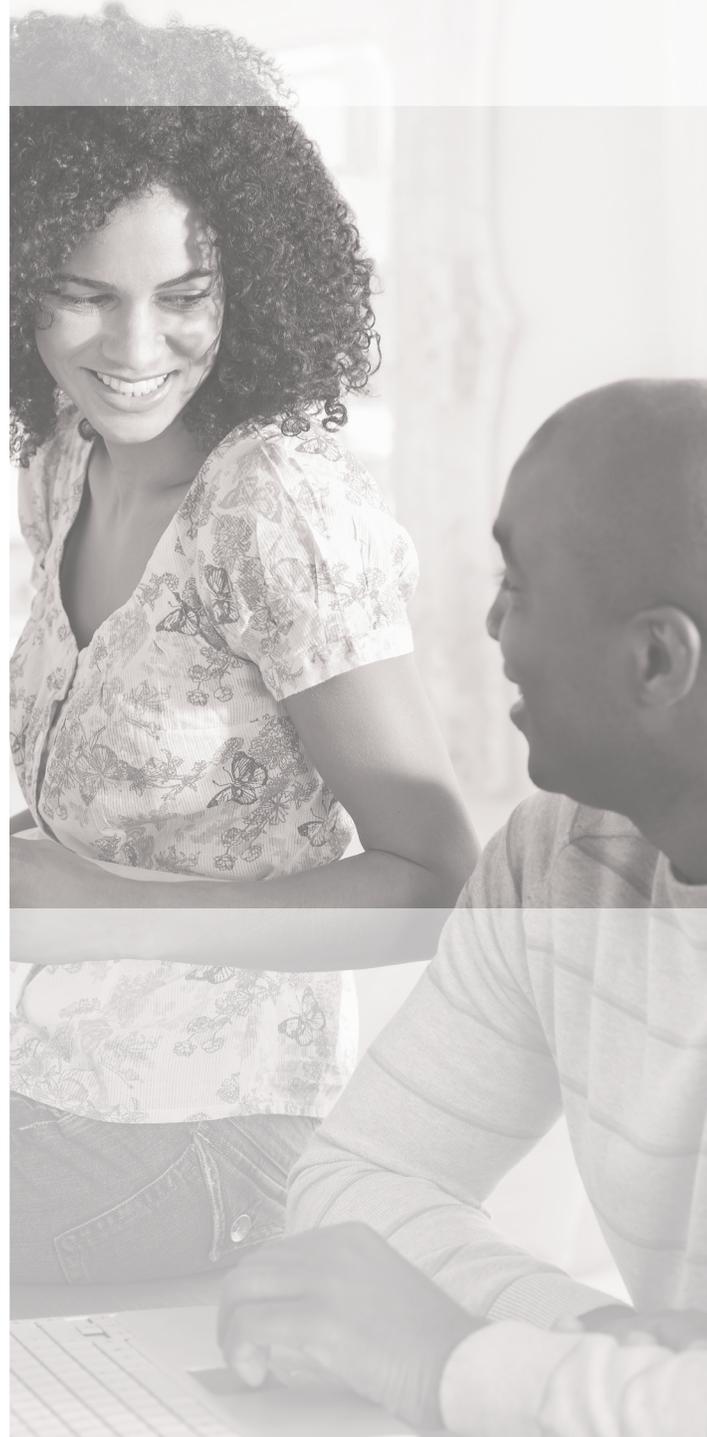
It goes without saying that finding an advisor and firm with unquestioned integrity is a must. A good start is to reach out to a good friend and/or trusted colleague for referrals. Keep in mind that an advisor that might be good for your friend or colleague might not be the right fit for your unique needs. Your attorney and/or accountant can be a good resource for names of quality advisors in your area. Once you have a few names, it makes sense to search for the name of each advisor in one of the national regulatory databases like brokercheck.finra.org or adviserinfo.sec.gov. Check the ADV for red flags such as disciplinary actions and criminal convictions. For those that pass the background check, consider an advisor's experience, licenses and any credentials he or she may hold. Credentials do not guarantee a successful outcome, but they do show a tested understanding of the subject matter and adherence to ongoing education and ethics standards. Credentials of note include CFP® and CFA®.

COMMUNICATION AND SERVICE

A final area worth investigating with an advisor is communication. Clients tend to leave advisors more often for poor communication and lack of follow-up than for poor performance. There are obvious factors to consider prior to engagement. A few areas to question include:

- **Transparency:** How are fees and performance communicated? Do you have online access to your accounts and important documents?
- **Accessibility:** How many clients does the advisor work with? How often will you meet face-to-face to review your financial plan?
- **Support:** What support team is in place to provide backup if and when your advisor is unavailable?
- **Communication:** What is provided in terms of client events, newsletters, emails or mailing to provide economic updates, educational information or updates regarding the firm?
- **Legacy:** Can the advisor facilitate family meetings to discuss important financial planning and estate planning matters with adult children or other relatives?

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Whether you are assessing your current advisor relationship or considering one for the first time, the process can be a daunting one. Working with a quality financial advisor can yield enormous benefits so don't hesitate to get started. Look for an advisor and firm of unquestioned reputation and integrity; one that puts your interests as a client above their own. Make sure any fees are fair, transparent and that the firm's and advisor's interests are aligned with your own. Ensure that the firm has the expertise, scale and resources to provide you comprehensive financial planning, quality research, customized portfolio management, a deep service offering and robust client support. Choose an experienced, credentialed advisor that provides unbiased advice and is fully committed to helping your family reach your life goals and you should be off to a great start.

We work hard every day to serve our clients at Parsec Financial with these goals in mind. Let us see if we might be the right fit for you.



Parsec management team

*(from left): Bill Hansen, CFA, President and Chief Investment Officer;
Harli Palme, CFA, CFP®, Chief Operating Officer and Chief Compliance Officer;
Rick Manske, CFP®, BFA™, Chief Executive Officer;
Bart Boyer, Founder*

About Parsec Financial:

Parsec Financial is a fee-only registered investment advisor (RIA) with \$3.427 billion in assets under management as of Dec. 31, 2020. Parsec provides investment management, financial planning, tax planning, trust services and business retirement services to more than 1,800 households and businesses in six offices across North Carolina.

Learn more: parsecfinancial.com

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Parsec Financial

PREMIER WEALTH

WEALTH MANAGEMENT

EMERGING WEALTH

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TAX SERVICES

BUSINESS RETIREMENT SERVICES

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