

## Selecting a wealth management professional

*It is a privilege that very few people, if any, will get in their lives to be entrusted with guiding you financially and helping you look after your financial well-being.*

*It is a substantial responsibility that we approach with great care and respect.*

*Use this guide to help you when interviewing a wealth management professional.*

# *In search of . . .*

Service professionals, whether they are doctors, attorneys, accountants or financial advisors, are all a bit like icebergs, with 10 percent of their attributes above water and visible for you to see and the remaining 90 percent of their attributes below the surface and invisible to you.

There are always lots of differences between best-in-class, run-of-the-mill, and bottom-of-the-barrel. Discerning if a financial advisor can truly provide the wise counsel, good judgement, leadership, technical competence and managerial responsibility you seek is not easy, but it is not impossible either.

## Product guidance is not competent wealth counsel.

During the past 30 years, access to financial markets has been successfully democratized with the help of technology and the internet. Anyone can now open an account at Vanguard, Fidelity, Schwab and TD Ameritrade and gain access to well-constructed, low-cost investment products coupled with product guidance and account service help. But offering product guidance and service help is not the same as solving the complex and deeply nuanced problems we all have with preserving, protecting, growing and transferring our wealth.

## Competent wealth counsel is multi-disciplinary.

The enduring truth of wealth management is that successfully preserving, protecting, growing and transferring our wealth is a multi-disciplinary challenge of continual problem-solving. Like so many other aspects of modern life and career fields, wealth management has become much more complex. The complexity requires advanced education and training, deeper experience, and the integrity and commitment to excel.

## Basic requirements of competent wealth counsel.

- Education
- Training
- Experience
- Commitment
- Integrity
- Excellence

## Competent wealth counsel helps solve problems.

While it may sound a bit pithy, there are two kinds of people in the world – people who have problems and people who are going to have problems. When you are looking for someone to help you manage your wealth, you are looking for someone who is prepared and capable of helping you solve problems.

Naturally then, your search and selection process should focus on finding the talent and resources you'll need to solve your current and anticipated problems. Start by identifying the subject areas of the problems you want addressed now and in the future.

- Financial Planning
- Risk Management
- Retirement Planning
- Tax Planning
- Investment Management
- Special Needs Planning
- Trust and Estate Planning
- Trust Advisory Services
- Succession and Legacy Planning
- Philanthropic Planning

## Look for advanced professional education and training.

The professions are businesses that are intellectual capital intensive. They require extensive amounts of expensive, lifelong advanced education and training. It can easily take \$1 million and years in formal education and training costs to achieve advanced-level wealth counsel mastery. Look to see who's making/made the career commitment.

## Look for professional breadth and depth-of-field.

The wealth management body of knowledge covers more than 100 subject matter areas, each discipline of which represents an extensive body of knowledge and can easily develop into a career path of its own. As a result, managing wealth becomes a multi-disciplinary endeavor. Look for those whose education, professional training and experience combines breadth and depth-of-field.

## Look for professional integrity and commitment.

There are markers for integrity and commitment. Professionals will subject themselves to the highest legal standards of fiduciary client care and adhere to professional codes of ethics that create career jeopardy for bad acts of faith. Look for the standards to which they are willing to adhere.

## Look for adherence to a fiduciary standard.

A fiduciary stands in a special relationship of trust, confidence and responsibility with another person. The duties of a fiduciary include loyalty to the client and reasonable care with regard to the client’s assets. All of a fiduciary’s actions are to be undertaken in the best interest of the client. A fiduciary must avoid self-dealing and minimize and disclose conflicts of interest to the client.

CEFEX is an independent global assessment and certification organization that verifies conformity to conduct and practice standards that are substantiated in laws, regulations and professional best practices that are worthy of the public's trust and confidence.

CEFEX advisory firms adhere to the Global Fiduciary Standard of Excellence. This means they act in the best interest of investors. This is in contrast with a firm that lacks a fiduciary process. The fiduciary standard offers a consistency of interpretation and implementation, which facilitates the transfer of knowledge between the advisor, clients, vendors and regulators.

Annual audits maximize the advisory firm’s professionalism because the firm is required to keep up to date with regulations and best practices. The CEFEX audit helps foster a culture of continuous improvement within the firm. The assessment process for CEFEX certified investment advisory firms is frequently updated to address changes in regulations and evolving best practices.

### CERTIFIED ADVISORS

Company: Intelligent Capitalworks	Registration No: CFX10617
Address: 16427 N. Scottsdale Rd., Suite 350, Scottsdale, AZ, 85254, United States	 <p>Investment Advisor Certification Since 4/23/2019 Validated: 1/15/2022</p> <p><a href="#">View Certificate</a></p>
Web Site: <a href="http://www.intelligentcapitalworks.com">http://www.intelligentcapitalworks.com</a>	
Registration Type: Investment Advisor Certification	
Program: Fiduciary fee-only wealth advisory, retirement planning and discretionary investment management services for high-net worth individuals, families, trusts, ERISA retirement plans, philanthropic organizations, and business accounts.	
Current Registration Date: 05/23/2021	Initial Registration Date: 04/23/2019
Independent Assessment Reports. <a href="#">Click to download and save to your fiduciary file.</a> <ul style="list-style-type: none"> <li>• <a href="#">Independent Assessment Report 2021-05-23</a></li> <li>• <a href="#">Independent Assessment Report 2020-04-23</a></li> <li>• <a href="#">Independent Assessment Report 2019-04-23</a></li> </ul>	

## Look for these standards of professional conduct.

The Professional Codes of Ethics and Standards of Professional Conduct of these organizations require a professional to place your interests first and be accountable for actions taken on your behalf.

### CFA Institute

CFA<sup>®</sup> – Chartered Financial Analyst

- Bachelor's degree or higher
- Passing scores on the Level I, II and III Examinations
- 4,000 hours of qualifying work experience
- Professional references
- Adhering to the CFA Institute's Code of Ethics and Standards of Professional Conduct
- Acceptance by the CFA Institute

<https://www.cfainstitute.org/-/media/documents/code/code-ethics-standards/code-of-ethics-standards-professional-conduct.pdf>

### CFP Board

CFP<sup>®</sup> – Certified Financial Planner

- Bachelor's degree or higher
- 15 semester credit hours of upper division or graduate classes
- A passing score on the CFP Certification Examination
- 6,000 hours of qualifying financial planning work experience
- Adhering to the CFP Board's Standards of Professional Conduct
- Acceptance by the CFP Board

<https://www.cfp.net/ethics/code-of-ethics-and-standards-of-conduct>

### American Bankers Association

CTFA – Certified Trust and Fiduciary Advisor

- Bachelor's degree or higher
- Five years of qualifying wealth management work experience
- A passing score on the CTFA Certification Examination
- Professional references
- Adhering to the Institute of Certified Bankers Professional Code of Ethics
- Acceptance by the Institute of Certified Bankers

<https://www.aba.com/training-events/certifications/maintaining-your-certification/certification-code-of-ethics>

## Rate the professional's breadth and depth-of-field.

Managing wealth is an advanced-level game that requires competent professionals — those with a Level 7 rating and above on the following Professional Knowledge and Practice Experience Rating exercise.

An A-level wealth management professional will be independently board-certified in more than one of 10 allied disciplines of wealth management and have core competencies that rate at least a Level 7 on nearly every topic in the list that follows.

### Professional Knowledge and Practice Experience Rating

- |   |  |
|---|--|
| <p>0 = has never heard of the subject.</p> <p>1 = has been involved in some meaningful exploration of the subject.</p> <p>2 = could provide a reasonably accurate verbal or written explanation of the subject.</p> <p>3 = could provide a very accurate verbal or written summary of the subject.</p> <p>4 = could provide a very accurate verbal or written summary of the subject and has firsthand personal experience with the subject in his/her own affairs.</p> <p>5 = could provide a very accurate verbal or written summary of the subject and has been compensated as a professional working occasionally in the subject.</p> <p>6 = could provide a very accurate verbal or written summary of the subject and has been compensated as a professional working frequently in the subject.</p> | <p>7 = is a highly compensated professional working frequently in the subject and is considered by many of his/her peers to be a credible authority on the subject.</p> <p>8 = is a highly compensated professional for his/her work in the subject. Allied professionals and even competitors recognize him/her as being an expert in the top 5 percent of his/her field.</p> <p>9 = is a highly compensated professional for his/her work in the subject. Allied professionals and even competitors recognize him/her as being an expert in the top 5 percent of his/her field and not only has technical ability, but his/her total breadth of knowledge and creative ability empower him/her to apply his/her skills in big-picture, whole-system strategic thinking.</p> <p>10 = is considered to be an international authority and/or is in the top 1 percent of his/her field or niche.</p> <p>11 = There are no elevens.</p> |
|---|--|

Adapted from: Bruce Wright  
The Wright Company, Inc.

## Validating professional ratings.

Financial advisory professionals who rate themselves Level 6 or higher for a particular practice area should be able to show you the resources and sample professional work product (not notes on a note pad) that will be delivered to you for that activity.

### *Rate 0 – 10*

- \_\_\_\_\_ Family financial discussion and visioning
- \_\_\_\_\_ Barrier identification and liberty facilitation
- \_\_\_\_\_ Goal and measurable objective setting
- \_\_\_\_\_ Retirement planning and funding
- \_\_\_\_\_ Investment management consulting
- \_\_\_\_\_ Incapacity, estate and legacy planning and funding
- \_\_\_\_\_ Charitable planning, giving and funding
- \_\_\_\_\_ Special needs planning, trust design and funding
- \_\_\_\_\_ Irrevocable insurance trust design and funding
- \_\_\_\_\_ Formation and administration of asset protection trusts
- \_\_\_\_\_ Lifestyle asset and net worth ratio analysis
- \_\_\_\_\_ Leverage and asset/debt duration matching
- \_\_\_\_\_ Risk exposures and insurance review and funding
- \_\_\_\_\_ Long-term care cost coverage analysis and funding
- \_\_\_\_\_ Social security claiming/Medicare optimization analysis
- \_\_\_\_\_ Personal investment education/training
- \_\_\_\_\_ Retirement asset/liability modeling
- \_\_\_\_\_ Critical path analysis
- \_\_\_\_\_ Investment risk capacity analysis
- \_\_\_\_\_ Asset allocation analysis
- \_\_\_\_\_ Structural asset location analysis
- \_\_\_\_\_ Portfolio risk analysis
- \_\_\_\_\_ Economic scenario analysis
- \_\_\_\_\_ Income stability and distribution analysis
- \_\_\_\_\_ Investment guideline development and analysis
- \_\_\_\_\_ Investment manager search and attribution analysis

- \_\_\_\_\_ Investment manager benchmarking
- \_\_\_\_\_ Investment performance reporting and goal progress monitoring
- \_\_\_\_\_ Time- and dollar-weighting of investment returns
- \_\_\_\_\_ Risk and tax-adjusting of investment returns
- \_\_\_\_\_ Return attribution analysis
- \_\_\_\_\_ Individual equity valuation analysis
- \_\_\_\_\_ Discounted cash flow analysis
- \_\_\_\_\_ Covered dividend analysis
- \_\_\_\_\_ Individual bond research
- \_\_\_\_\_ Bloomberg Professional Terminal Services proficiency
- \_\_\_\_\_ FactSet Professional Terminal Services proficiency
- \_\_\_\_\_ Individual equity portfolio management
- \_\_\_\_\_ Individual bond portfolio management
- \_\_\_\_\_ Risk budgeting
- \_\_\_\_\_ Diversification budgeting
- \_\_\_\_\_ Roth conversion and re-characterization
- \_\_\_\_\_ Qualified plan design and funding
- \_\_\_\_\_ Rollover and reinvestment of qualified plan assets
- \_\_\_\_\_ Avoiding double and triple taxation on qualified plan assets
- \_\_\_\_\_ Alternative investment analysis
- \_\_\_\_\_ Private equity investment analysis

## Interpreting knowledge/experience levels.

Levels (0 – 3) = Dabbling. Never trust anything to a dabbler.

Level (4) = Knowing. Knowledge is a good thing.  
Knowledge alone however, is insufficient.

Levels (5 – 6) = Doing. Knowledge combined with experience is where  
competent representation may begin.

Levels (7 – 9) = Creative Vision and Dynamic Execution.  
Welcome to the A-level game where the art and science  
of whole-system strategy are masterfully combined.

## Preparing for the interview.

Before interviewing financial advisor candidates, take an inventory of your immediate and future advisory needs and the problems you are trying to solve. This will help you focus on the breadth and depth of skills, experience, resources, attributes and qualities that you'll need from an advisor.

You'll want to create a framework around your inventory of needs that will help you during your interview process.

### **Planning**

- Goal and objective setting
- Retirement planning
- Investment planning
- Tax and business planning
- Incapacity, trust and estate planning
- Special needs planning
- Philanthropic planning
- Succession and legacy planning

### **Studies and analyses**

- Asset/liability studies
- Critical path studies
- Risk exposure studies
- Leverage and debt analysis
- Cash flow bridge analysis
- Liquidity and tax analysis
- Risk tolerance and capacity studies
- Income stability and distribution
- Healthcare expense analysis
- Social Security/Medicare analysis

### **Strategy**

- Liquidity
- Cash flow
- Growth
- Tax preference and control
- Risk budgeting
- Diversification budgeting

### **Investment Management**

- Written investment guidelines
- Investment behavior coaching
- Progress and performance reporting
- Investment cost management
- Taxable preferences and control

### **Collaboration Workflows**

- Accountant/pension consultant
- Estate planning attorney
- Trustee/Trust company
- Advisory team
- Client calls and meetings

## Conducting the interview.

Do not provide questions ahead of the interview. Allow yourself enough time for a good interview. If the interview is going well, you will likely need a minimum of two hours to work through your questions. If your candidate isn't familiar with terminology or subject matter, that could signal a lack of education, training or experience. Be sure to take notes so that you can review, compare and consider them later.

Include these questions with your own during your interview.

1. Describe how you work with clients. What can I expect to receive from you?
2. Describe the value of your services to me. (This provides an advisor/firm the opportunity to explain why you should consider hiring them).
  - i.
  - ii.
  - iii.
  - iv.
  - v.
3. Discuss some of the most significant/complex problems you have helped clients solve. (This provides you an opportunity to assess the advisor's breadth and depth-of-field).
  - i.
  - ii.
  - iii.
  - iv.
  - v.
4. Discuss your/your firm's strengths and competitive advantages.
  - i.
  - ii.
  - iii.
  - iv.
  - v.
5. Discuss your firm's biggest challenges right now and your roadmap to address them. (Every firm has challenges and every firm should have a roadmap to address them).
  - i.
  - ii.
  - iii.

## Clarify which services you will receive for the fee(s) you will pay.

6. Which of the following activities, studies and work product will be included for the fee(s) you charge? Are these activities specifically identified in the written agreement we will have with you?
  1. Family financial discussions
  2. Personal wealth education
  3. Investment consulting
  4. Goal and objective setting
  5. Retirement planning and funding
  6. Incapacity, estate and legacy planning and funding
  7. Charitable planning, giving and funding
  8. Lifestyle asset and net worth analysis
  9. Leverage and debt review and restructuring
  10. Risk exposures and insurance review and funding
  11. Cash flow and bridge analysis
  12. Retirement asset/liability study
  13. Retirement income shortfall analysis and funding
  14. Long-term care cost coverage analysis and funding
  15. Social Security/Medicare gap analysis and optimization
  16. Personal risk DNA analysis
  17. Investment risk capacity analysis
  18. Critical path analysis
  19. Asset allocation analysis
  20. Asset location analysis
  21. Portfolio risk analysis
  22. Economic scenario analysis
  23. Income stability and distribution analysis
  24. Tax-advantaged charitable gift analysis
  25. Written investment guidelines
  26. Financial services value/cost analysis
  27. Covered dividend analysis
  28. Separately-managed accounts of individual securities
  29. Individual securities held in safekeeping, not street name
  30. Tax-sensitive portfolio management
  31. Investment performance reporting and goal progress monitoring
  32. Investment behavior coaching
  33. Tax accountant coordination/collaboration
  34. Estate planning attorney coordination/collaboration
  35. Trust advisory services
  36. Periodic review calls and meetings

Notes.

## Ask this business model question.

7. Are you dually-registered as a securities broker (Series 7 licensed to sell investment products) and as an investment advisor (Series 65 licensed to provide investment advice)?

If yes, ask why this is necessary and how you will know when the firm and the advisor will be separating their sales efforts to you from their fiduciary duty to put your interests first when they are advising you.

Ask how the firm and the advisor will make clear and complete disclosures to you so you'll know when they are trying to sell you an investment, insurance or annuity product and when they are providing you with independent, objective fiduciary advice. Ask what measures they will take to ensure their independence, objectivity, and accountability to you when they are advising you. Ask how the potential for compensation conflicts will be managed.

### *Why this is important.*

“A conflict of interest is defined as a conflict between the private interests and the official responsibilities of a person in a position of trust. In the investment business, investors are exposed to significant conflicts of interest. Clients are looking for advice. But financial firms are in the business of selling products and generating profits. Those products can be traditional brokerage services or investment advisory services. Advice from stockbrokers and financial advisors is typically considered incidental to the sale of products they are promoting or helping their client buy. In other words, broker-dealer firms are there to facilitate a transaction on behalf of the customer, with the focus on the transaction and not the advice.

Conflicts of interest present a source of risk to the attainment of client objectives. . . . To make matter[s] more confusing, many advisors are dual registered as advisors and brokers. Additionally, they may also be insurance licensed. If one looks closely at the business card of many stockbrokers, one may see the words: advisory and brokerage services. But providing objective advice to clients is exceptionally difficult for the salespeople employed at these firms.”

– CFA Institute website<sup>1</sup>

## Ask these implementation-based questions.

8. Will you invest and manage my accounts using individual stocks or mutual funds and exchange-traded funds?

If you will not be investing my accounts in individual securities, explain why not.

### *Why this is important.*

Mutual funds and exchange-traded funds are professionally managed pools of money collected from many investors to invest in stocks, bonds, money market instruments and many other types of assets. Each fund will have a manager that invests the fund in accordance with the fund's investment objective and each fund will have its own underlying investment costs and operating expenses, including manager expenses of the fund. All fund expenses need to be added to any advisory fees you pay to help you understand your total investment and advisory expenses. Additionally, a fund's investment objective may not match your own investment objectives. By way of example, you have no control over the recognition of taxable gains and losses by the management of a fund. This may limit your abilities to achieve more favorable after-tax investment returns.

9. Describe how you address risks in your investment process.

### *Why this is important.*

In a discretionary investment advisory relationship, you are giving your advisor the authority to make investment decisions in your accounts. Before granting this authority, you'll want a clear understanding of an advisor's process for addressing risks in your accounts. This is important because risk can only be measured in the past, yet it exists in the future and must include that which is unknowable.

10. Describe your security selection and portfolio diversification process.

### *Why this is important.*

In a discretionary investment advisory relationship, you are giving your advisor the authority to make investment decisions in your accounts. Before granting this authority, you'll want a clear understanding an advisor's process for security selection for your accounts and the advisor's process for achieving diversification benefits in your accounts.

## Ask these conflict-based questions.

11. Do you recommend proprietary products that could generate additional fees/commissions to you or the firm? If yes, explain why you do this and how you address potential compensation conflicts of interest with your clients.
  
12. Do you have attorneys, insurance agents or CPAs on staff, which may create incentives for recommendations that drive higher firm revenue?  
If yes, explain why.
  
13. Do you charge performance-based fees that may incentivize you to take inappropriate or greater risks in my account to beat your performance benchmark? If yes, explain why and explain how you manage/resolve conflicts between your clients who pay you performance fees and those who don't.
  
14. Do you invest in recommended securities?  
If no, explain why not.  
If yes, explain how you manage/resolve conflicts with client accounts.
  
15. Do you invest differently from what you invest in or recommend for your clients?  
If yes, explain why.

## Ask these cost-based questions.

16. How are you compensated? Why do you structure your compensation this way?

- Fee-Only
- Fee-Based (commissions plus asset-based fees)
- Commissions
- Fixed Fee
- Hourly
- Other (Explain)

17. Does your firm receive *soft-dollar* benefits in exchange for directing a client's securities trades to a particular broker-dealer for execution?

If yes, disclose the benefits you receive and explain why this is in your clients' best interest and how you address potential conflicts of interest with your clients.

### *Why this is important.*

Under traditional fiduciary principles, a fiduciary cannot use assets entrusted by clients to benefit itself. The Securities and Exchange Commission (SEC) has recognized that when an adviser uses client commissions to in effect "pay up" (*soft-dollars*) to a broker-dealer in exchange for research, products and services the adviser would otherwise have to pay on its own, the adviser receives a benefit because it is relieved from the need to pay directly for the products and services. When client transactions involve *soft dollars* from the adviser "paying up" or receiving executions at inferior prices, advisers face a conflict of interest between their desire to obtain services without direct payment and their clients' interest in paying the lowest commission rate available and obtaining the best possible execution.

Congress created a safe harbor under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act") to protect advisers from claims that they breach their fiduciary duties by causing clients to pay more than the lowest available commission rates in exchange for research and execution. Due to the conflict of interest that exists when an investment adviser receives research, products or other services as a result of allocating brokerage on behalf of clients, the Commission requires advisers to disclose *soft dollar* arrangements to their clients.

18. Do you recommend mutual funds with 12b-1 fees that increase the cost of owning the fund?

If yes, why do you recommend funds with 12b-1 fees when there are comparable funds available to me without 12b-1 fees? Do you rebate the 12b-1 fees to me?

If you don't rebate the 12b-1 fees to me, explain why this is in my best interest and how you justify my higher investing costs from using mutual funds with unreimbursed 12b-1 fees vs. mutual funds without 12b-1 fees.

*Why this is important.*

A 12b-1 fee is an annual marketing or distribution fee on a mutual fund. The distribution fee covers marketing and paying brokers who sell shares. They also go toward advertising the fund and mailing fund literature and prospectuses to clients. The 12b-1 fee is considered to be an operational expense and, as such, is included in a fund's expense ratio. The fee gets its name from a section of the Investment Company Act of 1940.

The 12b-1 fee can be broken down into two distinct charges: the distribution and marketing fee and the service fee. Total 12b-1 fees charged by a fund are limited to 1% annually. The distribution and marketing piece of the fee is capped at 0.75% annually, while the service fee portion of the fee can be up to 0.25%. The presence of a 12b-1 fee increases the overall expense of investing and may increase the cost of receiving investment advice if an advisory fee is added on top of mutual fund 12b-1 fees.

An analysis by the SEC found that while 12b-1 fees helped attract more new assets to a fund, the shareholders of the fund didn't see the benefit. The theory was that the increase in assets should bring shareholders less volatility and expense through economies of scale, but what often happened instead was that shareholders paid more to grow the fund while the fund company or advisor were the ones that benefited from the increase in assets.

19. Do you or your firm have a legal or disciplinary history? If yes, explain.
20. Do you have a team of professionals who will support our relationship? If yes, please provide their resumes or Form ADV Part 2B if you are SEC-Registered.

To schedule an interview with ICW, please call Monique Pressley at 480-248-2223.

## Footnotes.

<sup>1</sup> <https://www.cfainstitute.org/advocacy/issues/conflicts-of-interest#sort=%40pubbrowsedate%20descending>

## Disclosures.

Intelligent Capitalworks is the trade name of ICW Investment Advisors LLC (“ICW”). ICW is registered as an investment adviser with the Securities and Exchange Commission (“SEC”) and only transacts business in states where it is properly registered or is excluded or exempted from registration requirements. SEC registration does not constitute an endorsement of the firm by the SEC, nor does it indicate that the adviser has attained a particular level of skill or ability.

Past performance may not be indicative of future results. All investment strategies have the potential for profit or loss and clients should be prepared to bear the risk of capital loss. Changes in investment strategies, contributions or withdrawals, and economic conditions may materially alter the performance of your portfolio.

Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or strategy will be suitable or profitable for a client’s portfolio. There can be no assurances that a portfolio will match or outperform any particular benchmark.

Working with a financial advisor is not a guarantee of future financial success. Always consult an attorney or tax professional regarding your specific legal or tax situation. ICW does not provide legal counsel, tax counsel, accounting, actuarial or pension consulting advice or services.

Notes.

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