

What to Know Before Hiring a Bank's Financial Adviser

What happened when this woman let her bank manage her money

By [Leida Snow](#) | February 5, 2020 | [Money & Policy](#)

Looking for investment advice in midlife can be tricky, so many of us turn to experts for help. But sometimes, those “experts” can be more harmful than helpful. Sadly, I speak from experience.



I thought smooth-talking salesmen would never scam me. After all, I’m a savvy New Yorker with a successful communications business. But I got taken in by a so-called [financial adviser](#) at my bank, a large institution where I’d been a customer for decades.

Since I'd kept money there for so long, my guard was down when a representative suggested I talk to a "Relationship Manager" and arrange to work with one of the bank's financial advisers.

Promises Made, Papers Signed

Papers signed, the adviser pressured me to let him manage my account. He promised smart trades — for a retainer fee plus commissions. The adviser said he could maximize opportunities and I would see impressive results.

It took nearly a year to extricate myself from my "gotcha bank."

While past performance is never a reliable predictor of the future, I noticed that he didn't claim a track record for his recommended investments or offer references. I resisted.

But the two of us discussed two companies I was interested in. I agreed to small trades. Or at least I thought I did. Actually, the adviser wound up buying similar sounding, but totally different, companies. When I noticed the discrepancy, he said nothing could be done. I had to go up the chain of command at the bank and spend hours getting those trades reversed.

I wasn't happy working with this adviser, so I switched to another. And then another. Finally, I'd had enough.

It took nearly a year to extricate myself from my "gotcha bank." That's because the papers I'd signed are designed to make exiting complicated and the few moves I'd made had strings attached.

I ultimately wound up sending innumerable emails, made many phone calls and mailed multiple letters to the CEO, the bank's board of directors and its legal department before I was free.

The 3 Key Lessons I Learned

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Now, sadder but wiser, here are some lessons I learned:

Lesson No. 1: Don't be impressed by titles.

Anyone can call himself or herself a financial adviser. And some who do at banks or brokerage firms are [glorified salespeople](#), often with little training or the appropriate background.

There are, however, [Certified Financial Planners](#) (CFPs) who must study and pass tough tests to get this accreditation. And financial advisers known as fiduciaries must put their clients' interests first. But some who call themselves advisers aren't fiduciaries.

What's more, even if someone has credentials, that doesn't mean that pro is reputable. And a brand name — even the name of a big bank — is no guarantee of competence.

It's essential to research the complaint record of a financial adviser before hiring one.

The key, says Don Blandin, president and CEO of the nonprofit [Investor Protection Trust](#) (TPT), is “finding accredited financial counselors who aren’t selling anything.”

Lesson No. 2: Read the small print.

An adviser at a financial institution may push a proprietary investment — such as one of its CDs — without explaining that you may not be able to easily transfer or sell some or all of it. Or you may be touted a mutual fund from the bank or brokerage with commissions said to be low compared to industry standards. It’s up to you to find out the truth.

I was sold a mutual fund from the bank that the adviser said charged fees that were standard. But when I began the move to another institution, I discovered it wasn’t true — the fees were excessive and, I ultimately learned, I’d pay a penalty for leaving the fund early. I’m waiting for the end of February 2020 in order to get out of the fund, penalty-free.

A few financial institutions, such as Charles Schwab, Fidelity and TD Ameritrade have recently eliminated commissions on some of their online trades. Contrast that with the hundreds of dollars you’d pay at other banks and brokerages.

Many people don’t think to ask what it will cost to buy or sell investments their financial advisers recommend. Be sure you do, and take the time to read, and understand, the fees you’ll be charged.

Lesson No. 3: Educate yourself about investing and advisers before hiring someone to manage your money.

“It’s your money, and you have to do your due diligence,” Blandin said.

There are numerous independent, noncommercial, resources that can help. Their websites are only a click away. Check out the ones from the [National Association of State Securities Administrators](#) (NASAA); the federal [Securities and Exchange Commission](#) (where you can find "Top Tips for

Selecting an Investment Professional;" "How Fees and Expenses Affect Your Investment Portfolio" and "Check Out Brokers and Investment Advisers") and the financial services industry's self-regulatory body, [FINRA](#).

Also, the independent [Paladin Registry site](#) has many tools for investors, including a free guide on how to interview potential advisers.

The [Investor Protection Trust](#) is dedicated to educating investors to be “wise and safe.” It has produced educational booklets, run workshops and created a well-received series of [investment education videos](#) for public television.

John Bogle, the late founder of Vanguard, one of the world's largest investment companies, famously said that investors shouldn't try to outsmart the market. He advised buying low-cost index funds that replicate the market. But investors should be knowledgeable enough to understand what a financial adviser is talking about, the different types of investments and the fees charged for them.

My Friends' Experiences

In sharing my story with friends, I was surprised — and saddened — to find that several had similar experiences. I'm sure there are qualified men and women who can help people in midlife better manage their money and plan for retirement. But finding them means taking responsibility and making the effort to do the necessary research.

We need to take our money seriously, and make financial education part of our lives.

Leida Snow is an award-winning journalist and communications coach. Follow her @LeidaSnow [Read More](#)

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