

## Choosing a Financial Advisor

I've outlined a process below, which will help you with your selection of any financial advisor – attorney, financial planner, stockbroker, etc. Since my field of expertise is income tax, I am going to illustrate the use of this selection process when choosing a tax preparer.

You are required to file your taxes every year, so you either have to prepare them yourself or hire someone else to do it for you. Statistics show that about one-half of all individual tax returns filed are self-prepared. With the excellent and inexpensive software available today, self-preparation may often be the cheapest and easiest way to get the job done. If your return is reasonably simple and you are confident in your ability to read and follow instructions, you will probably achieve results using software similar to those you would get with a professional tax preparer. If you self-prepare, you could still ask a professional for a quick and inexpensive review of your completed return to be sure you didn't miss something really important. Some clients ask me to review their self-prepared returns every three years. In this way, any errors discovered may be corrected by filing an amended return within the 3-year statute of limitations.

Alternatively, you may choose to use a professional preparer because your return is too challenging for you, because you want the extra protection in dealing with the IRS, or perhaps you just want to save the time. Whatever the reason, here are my recommendations for selecting a tax preparer:

1. **Ask for referrals.** Ask a lot of people. Don't just take the first name that comes along. Carefully consider the credibility of the person making the recommendation. Seek out the opinions of people you respect and trust. This might mean that you go beyond your circle of friends, especially if they are not sophisticated about money. Do you have an uncle or business associate who seems to be good with money? How about your banker, your doctor, or your employer? Ask questions about their tax preparer and listen closely to the answers. A referral should be positive and backed up with sound logic. "I go to him because he does my father's taxes" is not really a solid referral. Keep collecting referrals until someone's name starts recurring. Then you've identified a professional who is really doing a good job.
2. **Interview your preparer.** Have some questions ready to ask. How long have they been in practice? How many clients do they have? How large is their staff? What is their turn-around time? What is their educational background? How much additional training do they receive every year? How many audits have they been to and what were the results? And most importantly: what are their fees, do they charge for time, and when is payment due? Look for honest and

forthcoming answers to your questions. If you get the sense that anything is being held back, you might be right. Get a feel for how well you will be able to work with this person. You, the customer, are entitled to patience, courtesy, respect, and clear, precise answers to your questions.

3. **Check references.** Ask for references and call them. In particular, ask for names of people who have been audited, so you can see how capably they have been defended. The preparer should call the clients to ask their permission before allowing you to contact them. If the preparer doesn't do this, they may have violated their client's confidentiality and may end up violating yours too. You should expect all the references to provide glowing opinions, since the preparer chose them. If there are any reservations expressed by these handpicked referrals, take them seriously.
4. **Get a written quote for the fee.** Fees vary widely from preparer to preparer and from town to town. A CPA firm in Santa Rosa may charge a minimum of \$300-500, even for a simple return, with an average fee of \$500-\$1500. Large firms charge more than small firms for the same work, and it is not always true that the large firms know better. If you like your preparer, but think the fees are too high, say so. All fees are negotiable.

Now, apply a similar process to your selection of other financial advisors: decide how much of the work you can or want to do yourself, ask for referrals, interview the candidates, check references, and get a written quote. Then, make your choice with confidence.