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Dumping your financial adviser this RRSP season?

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Investors should examine the frequency and clarity of communications that they are getting. Chemistry, energy and trust also matter.

If you are casting angry looks at your portfolio and seriously considering dumping your financial adviser this RRSP season, think back on the advice that money experts were giving a year ago when markets were nearing the bottom of a scary descent: Don't be too hasty.

"Don't let performance be the sole determinant," advises John De Goey, an investment adviser and vice-president with Burgeonvest Bick Securities Ltd. of Toronto. Mr. De Goey is a long-time critic of the commission-based adviser model and its inherent conflicts and has drawn the ire of many in his business after publishing two books on the subject.

For Mr. De Goey, though, performance can be overrated. "I think the question is performance relative to expectations and suitability."

He gives the example of loading up "a little old lady" investor with hedge funds and penny stocks. "Performance is moot. It can go up, down or sideways, [but] it really wasn't suitable and therefore you should be concerned."

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Mr. De Goey urges investors to realistically examine their risk tolerance and build their investment portfolio with a financial adviser accordingly. "If in fact the adviser is doing that and you are still chomping at the bit to fire your adviser then maybe you should look at yourself and say, 'Is it me?'"

Beyond the simple issue of performance, determining whether you have the right fit with your financial professional also comes down to what services you have hired them for, said Scott Plaskett, a certified financial planner with Ironshield Financial Planning in Toronto.

If you are looking for guidance on how much to put aside for retirement, how to plan for educating your children, or for tax strategies, Mr. Plaskett suggests a generalist, such as a financial planner, is a better option rather than an investment adviser.

He has a simple way for investors to grade the performance of their adviser: "Can they prove it to you? he asked. "It is very simple to show if you are on track or not and the way we do that is through their financial plan. If you are, great, and if not, we want to know why not."

To deal with the plunging market, Mr. Plaskett's firm carried out a "recalibration" of their clients' financial plans last year when portfolios were at the bottom. "The reason we did that was to say we now know the value of your investments today and let's take a look to see if those values were enough to allow you to accomplish your goal in the long run." In most cases the results were not as grim as investors might have expected because of gains in prior years that exceeded growth targets.

Determining whether to keep or drop your financial adviser "is the million-dollar question," said Dan Richards, whose Toronto firm Strategic Imperatives consults with the investment industry and advisers. Most research on why people fire their adviser has found that investment returns are not the major reason for a split, he noted. "They tend to relate often to communications, feeling taken for granted and chemistry. Those tend to be the most important measures."

Mr. Richards counsels investors to re-examine how satisfied they are with the frequency and clarity of communications that they are getting from their adviser or planner. He adds chemistry, energy and trust into the mix. "It is not something that is easy to quantify." Finally he ticks off performance. "To what extent do I feel that working with my adviser I'm getting good value in terms of the advice and the guidance and the counsel that I'm getting for whatever fees I'm paying?"

For Tamara Smith, a vice-president with the national non-profit Financial Planning Standards Council, the key gauge for investors should come down to adviser engagement. "What did they promise you? How comfortable are you? It has been a pretty stressful year. How often are you communicating with them? ... Are they being proactive [and] have they suggested you look at your plan?"

Ms. Smith also suggests that investors broach the often touchy subject of adviser compensation and whether they "have they lived up to the promise."

"So when we look at evaluating an advisor's performance, it really is based on engagement and communications and less about the short-term investment strategy," she said.