



How to choose Advisors?

A GUIDE TO CHOOSING SERVICE PROVIDERS

APRIL 2013



Preface

Picking Advisors is not always easy, we discuss key issues below

A Doctor recently joined a new surgery in an up market area of London and was surprised to find that they were handing out far too many prescription drugs. Over prescription of drugs is a common problem due to the added incentives that Pharmaceutical companies entice the medical world with. It is also potentially damaging to the long term health of the patients as their immune system becomes less affective. There are also plenty of examples how inexpensive nutrition and yoga have had a greater effect than expensive surgical procedures. It is inevitable that the standard of advice in a large industry such as the medical profession is likely to vary dramatically.

So if you can't even trust whether your local GP or surgeon is giving you sound advice then how can you trust other advisors such as lawyers, bankers, real estate agents, art dealers, insurance brokers, teachers etc.?

Emotionally we prefer not to question the ethics of sectors like health, insurance and legal services and therefore are prepared to pay for these without suspicion whereas others such as wealth management and banking are frowned upon. Unfortunately this lack of trust and willingness to pay advisory fees has lead to more opaque fee structures, misaligned incentives and the inevitable miss-selling of financial products. At a recent conference in HK a senior private banker described how bankers need to be more like financial doctors and tailor their services to match the client's needs. Which begs the question: how in the world did we let it get to the stage where this was *not* the case? When did bankers stop being service providers and become salesmen? Surely when you pay for advice you expect the best advice possible even if that prevents a deal being made as this may save money and gain trust over the long term.

In a world insistent on becoming automated with short term gratification we must learn that there are some services that require a certain amount of discretion and we must be prepared to pay for quality advice. More discretion should be used to discern whether the advisor's interests are aligned with their client and that payment is based on the quality of the advice. There are plenty of examples of good practices however a common misconception is that the larger or better known the company is, the higher the quality of the advice. This is very rarely the case. Marketing dollars come from customer's pockets. The bigger the brand the more likely they are to charge higher fees. Economies of scale are much more relevant for product related rather than advisory businesses. For advisory businesses clients should focus more on individual's relevant experience, talent and incentives.

The Key issue boils down to how much you trust the integrity of the group or individual concerned which takes time to earn and is only really tested during adverse conditions. According to Darwinian methodology humans are competitive by nature but in order to survive adverse environments they counterbalance this with empathy and work together to ensure long term survival. So how do you choose who to surround yourself with to make sure that you pick long term partners and not just competitors?

The most successful partnerships seem to have the same common theme. The partners' relationships, whether good or bad, were held together by a common aim or goal. In other words each party's interests must remain aligned as much as possible. Some of the key questions to ask when selecting advisors are:

- **What do I need?**
- **Can they provide the solution and are they the best service providers (not just the biggest)?**
- **Are our interests aligned?**
- **How are they paid and what other incentives do they have?**
- **Can I trust them? Do they have strong relevant references and access to relevant expertise?**

For our full guide including examples and trusted advisors contact details please contact us below: