7 Questions to Ask Your Financial Advisor

That Most Advisors Hope You Never Ask

An Investor's Due Diligence Guide
from Erenda Capital Management

You Deserve to Know

Most investors hire a financial advisor and never ask the hard questions. Not because they don't care about their money — but because they don't know what to ask.

The financial services industry has not made this easy. Marketing materials are polished. Credentials sound impressive. And the language is designed to reassure, not inform. The result is that many investors have no way to distinguish between an advisor who does exceptional work and one who simply looks the part.

This guide changes that.

Inside, you'll find seven questions that cut through the noise. Each one is designed to reveal something specific about how your advisor operates — how they research investments, how they manage risk, how they're compensated, and whether their interests are truly aligned with yours.

For each question, we've included what a strong answer looks like and what should give you pause. The goal isn't to create anxiety — it's to give you the tools to evaluate your advisor the same way institutional investors evaluate the fund managers who oversee their billions.

You've earned your wealth. You deserve to know exactly what's being done with it.

Not All Advisors Are Created Equal

Before you evaluate your advisor, it helps to understand the landscape. The financial advisory industry spans a wide spectrum — from fully automated platforms to exclusive institutional funds. Where your advisor sits on this spectrum determines the quality of research, the level of customization, and the access you receive.

	Research	Access	Customization	Fee	Minimum
Robo-Advisor	Algorithm-driven	Chatbot / email	None	0.25%	$0
Typical RIA	Licensed model portfolios	Relationship manager	Minimal	1.0–1.5%	$250K–$1M
Erenda Capital	**Original fundamental research**	**Direct PM access**	**Fully tailored**	**0.8%**	**$100K**
Institutional Fund	200-person research teams	No individual access	Fully tailored	5% + 25% of profits	$10M+

The opportunity in the middle: Most individual investors are stuck choosing between cheap-but-impersonal robo-advisors and expensive-but-generic RIAs. A small number of firms bridge this gap — offering institutional-caliber research and direct portfolio manager access at a fair price. The questions in this guide will help you determine whether your advisor is one of them.

Do you do original investment research — or do you use model portfolios built by someone else?

WHY IT MATTERS

The majority of financial advisors do not conduct original investment research. Instead, they license pre-built model portfolios from third-party platforms known as TAMPs (Turnkey Asset Management Platforms). These models are designed to be generic — suitable for broad categories of investors, but tailored to none. When you hire an advisor who uses model portfolios, you are paying your advisor's fee on top of investment decisions made by someone you will never meet. The person you trust with your wealth may not be the person making the investment decisions that determine your outcomes.

WHAT GOOD LOOKS LIKE

A strong advisor can describe their research process in detail: how they identify investment opportunities, what analytical frameworks they use, how they evaluate risk at the position level, and how they decide when to sell. They should be able to walk you through a recent investment thesis and explain their reasoning. The best advisors treat research as the foundation of everything they do — not a service they outsource.

RED FLAG

Vague answers like "we use a diversified approach" or "our models are designed by our home office" suggest your advisor is not doing original work. If they cannot name the person or team making investment decisions, or if those decisions are made at a corporate level rather than for your specific portfolio, that is a meaningful gap between what you're paying for and what you're receiving.

Will I ever speak directly to the person making my investment decisions?

WHY IT MATTERS

At many advisory firms, you work with a “relationship manager” or “investment counselor” — not the person who actually selects and manages your investments. This structure exists because it is efficient for the firm: it allows a small investment team to manage thousands of portfolios while client-facing staff handle questions and reviews. But it means the person who knows your goals, your concerns, and your life circumstances is not the person deciding where your money goes. There is an information gap between the person who knows you and the person who manages your money.

WHAT GOOD LOOKS LIKE

The person sitting across from you should be the same person constructing your portfolio and making buy and sell decisions. When you call with a question about a specific position or a concern about market conditions, the person who answers should be the one with direct authority over your investments. There should be no layers between you and the decision-maker.

RED FLAG

If your advisor says “our investment committee handles that” or “I’ll pass your question to our portfolio management team,” you are working with an intermediary, not a portfolio manager. This is common at large firms, but it means your advisor is primarily a salesperson and service representative — not the investment professional you may believe them to be.

Do you invest your own money the same way you invest mine?

WHY IT MATTERS

This is the ultimate alignment test. When an advisor invests their own capital alongside clients — in the same portfolios, using the same strategy — every recommendation carries personal consequences. They are not simply managing other people's money for a fee; they are putting their family's financial future on the same line as yours. This creates a fundamentally different relationship with risk, with diligence, and with accountability. In the institutional world, investors call this "skin in the game" — and it is one of the most important factors they evaluate before entrusting capital to a manager.

WHAT GOOD LOOKS LIKE

A direct, unequivocal yes. The advisor should be able to tell you that their personal and family assets are managed using the same strategy and in the same portfolios as client assets. This is the gold standard of alignment. Institutional investors demand it from hedge fund managers. You should demand it from your financial advisor.

RED FLAG

Hedging, deflection, or answers like "I have a different risk profile" or "My personal finances are separate." If your advisor would not invest their own money the way they invest yours, ask yourself why — and what that tells you about their confidence in their own recommendations.

What is your all-in cost — and what exactly am I getting for it?

WHY IT MATTERS

Advisory fees are just the visible layer. Underneath, there may be fund expense ratios, trading costs, platform fees, custodial charges, and revenue-sharing arrangements that your advisor may not volunteer. The difference between a 1.0% all-in cost and a 1.5% all-in cost may seem small — but on a $1 million portfolio over 20 years, that 0.5% difference compounds to over $350,000 in lost wealth. A transparent advisor can tell you the total cost of ownership and explain exactly what each dollar is buying. An advisor who cannot — or will not — should give you pause.

WHAT GOOD LOOKS LIKE

Your advisor should be able to state, clearly and without hesitation, your total annual cost as a percentage of assets — including their advisory fee, underlying fund expenses, and any other charges. They should also be able to articulate what you receive in return: the specific services, the investment process, the access, and the planning work that justifies the cost. The best advisors welcome this question because their value proposition is strong enough to withstand scrutiny.

RED FLAG

If your advisor cannot give you a clear all-in number, or if the answer requires multiple caveats and qualifications, there may be layers of cost you are not seeing. Watch for phrases like “it depends on the funds we use” or “there are some standard industry charges.” Transparency is not complicated. If the fee structure is hard to explain, it may be hard to explain for a reason.

How do you manage risk in my portfolio — not just returns?

WHY IT MATTERS

Anyone can take risk. The discipline of professional investing lies in managing it. In the institutional world, risk management is not a compliance function — it is a core competency. Leading institutional funds run hundreds of stress tests daily, monitor position-level exposure in real time, and have formal processes for when investments move against them. Most individual investors never think to ask about risk management because they assume their advisor is handling it. But "diversification" alone is not a risk management strategy — it is the absence of one.

WHAT GOOD LOOKS LIKE

Your advisor should be able to describe a specific, repeatable risk management process: how they evaluate downside scenarios before investing, how they size positions relative to portfolio risk, how they set thresholds for reducing or exiting a position, and how they stress-test the portfolio against adverse conditions. The answer should be concrete and process-driven, not vague and reassuring.

RED FLAG

Answers like "we diversify across asset classes" or "we have a balanced approach" are not risk management. They are marketing language. If your advisor cannot explain what happens when an investment thesis breaks down — specifically, what process triggers a sell decision — they may not have one.

Is your advice limited to investments, or do you coordinate my entire financial picture?

WHY IT MATTERS

Investment management is only one piece of your financial life. Tax planning can add or destroy more value than stock selection. Retirement income sequencing can mean the difference between running out of money at 82 or having a comfortable surplus at 95. Estate planning determines whether your wealth transfers efficiently to the next generation or erodes through unnecessary taxes and legal costs. If your advisor only manages a portfolio and does not coordinate with your tax situation, your estate plan, your insurance coverage, and your retirement income strategy, you have gaps in your financial life that no one is watching.

WHAT GOOD LOOKS LIKE

Your advisor should describe a holistic approach that integrates investment management with tax planning, retirement income strategy, estate coordination, and insurance review. They should be able to explain how investment decisions are informed by your tax situation — for example, through tax-loss harvesting, asset location strategies, or Roth conversion analysis. The best advisors treat your portfolio as one element of a comprehensive financial plan, not as an isolated product.

RED FLAG

If your advisor says “we focus on investments — you should talk to your CPA about taxes,” you have a gap. Investment and tax decisions are deeply intertwined, and an advisor who treats them as separate silos may be leaving significant value on the table. Coordination does not mean your advisor replaces your CPA — it means they work together.

Are you a fiduciary — all the time, in every interaction?

WHY IT MATTERS

The word “fiduciary” has become a marketing buzzword, but it has a specific legal meaning: a fiduciary is legally obligated to put your interests ahead of their own. The problem is that not all financial professionals are fiduciaries all the time. Some advisors operate under a fiduciary standard when providing certain types of advice but revert to a lower “suitability” or “best interest” standard when selling products or executing transactions. This dual-standard arrangement is common and confusing by design. You deserve to know whether the person advising you is always, in every interaction, legally bound to prioritize your interests.

WHAT GOOD LOOKS LIKE

A clear, unqualified yes — your advisor should be a registered investment advisor (RIA) or an investment advisor representative (IAR) who operates under a fiduciary standard at all times, in every interaction, with no exceptions. They should be registered with the SEC or their state regulator, and their Form ADV (a public disclosure document) should be available for your review at adviserinfo.sec.gov.

RED FLAG

Watch for qualifications: “We act in your best interest” is not the same as “We are a fiduciary.” The “best interest” standard (Regulation Best Interest) applies to broker-dealers and is a lower bar than the fiduciary standard. If your advisor holds both a fiduciary registration and a broker-dealer license, ask which standard applies to which services — and get the answer in writing.

What to Do With This Guide

Now that you have the questions, here is a simple action plan:

1. **Schedule a review with your current advisor.**

   Bring this guide. Ask the seven questions. Take notes on the answers. You will learn more in that single meeting than in years of quarterly reviews.

2. **Compare the answers to the benchmarks in this guide.**

   For each question, does your advisor's answer align more closely with the "What Good Looks Like" box or the "Red Flag" box? Be honest with yourself.

3. **Calculate your true all-in cost.**

   Ask your advisor for a complete fee breakdown — advisory fee, fund expenses, platform costs, and any other charges. Multiply the total percentage by your portfolio value. That is what you are paying each year, in dollars, for the service you are receiving.

4. **Assess the alignment.**

   Does your advisor invest alongside you? Do they do original research? Can you reach the decision-maker directly? These are not nice-to-haves — they are the markers that distinguish exceptional advisors from average ones.

5. **If the answers give you pause, seek a second opinion.**

   A confidential conversation with a different advisor costs nothing and obligates you to nothing. But it may reveal that better options exist — more rigorous research, better alignment, lower fees, and more direct access than you currently receive.

Our Answers to These Questions

We wrote this guide because we believe transparency benefits everyone. Here is how Erenda Capital Management answers each question:

1. **Original research.**

   Every investment thesis begins with bottom-up fundamental analysis. We do not use model portfolios or third-party platforms. Every position in your portfolio is individually selected and continuously monitored.

2. **Direct access.**

   Your portfolio manager makes the investment decisions and takes your calls. There are no layers, no relationship managers, and no handoffs. The person you talk to is the person responsible for your money.

3. **We invest alongside you.**

   Management invests personal and family capital in the same portfolios and the same strategies as our clients. Every recommendation we make, we make for ourselves first.

4. **0.8% flat fee. No hidden costs.**

   Our advisory fee is 0.8% of assets under management. No performance fees, no revenue-sharing, no platform charges, no hidden layers. That is 20–50% below typical industry peers.

5. **Institutional risk management.**

   We evaluate downside scenarios before investing, size positions relative to portfolio risk, and maintain a disciplined process for reducing exposure when a thesis no longer holds. Risk management is not an afterthought — it is the foundation of our process.

6. **Comprehensive wealth management.**

   We coordinate investment management with tax planning, retirement income strategy, estate planning, and insurance review. Your portfolio is one element of a complete financial plan — not an isolated product.

7. **Fiduciary. Always.**

   Erenda Capital Management is a registered investment advisor. We operate under a fiduciary standard in every interaction, with no exceptions. Our Form ADV is available at adviserinfo.sec.gov.

Ready for a Second Opinion?

If your current advisor answered all seven questions well, you are in good hands. Stay with them.

If any of the answers gave you pause, we would welcome a confidential conversation. There is no cost, no obligation, and no pressure. Just an honest discussion about your investment goals and whether Erenda Capital might be a good fit.

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