Hiring or Switching Financial Advisors: Questions to Ask

Is your advisor still the right fit?

If you're frustrated by poor communication, generic advice, or costly mistakes from your current financial advisor, it may be time for a change. This guide and checklist are designed to help you spot the red flags, ask the right questions, and find an advisor who truly understands your needs and can deliver the level of service you deserve.

GENERAL FIRM INFORMATION			
Category	Cavalot Capital	Firm:	Firm:
Type of Firm	Independent RIA		
Fiduciary	Yes, always		
Team Size	Two planners, no staff		
Families Served	Approximately 100		
Services Offered	Financial Planning Investment Management Tax Planning & Prep Estate Coordination		
Service Model	Financial quarterback on retainer, one-stop shop		
Custodian:	Charles Schwab		
ADVISOR QUALIFICATIONS			
Primary Credentials	CFP®, RLP®, CTEC Registered Tax Preparers (CRTP)		
Years of Experience	Damian: since 2009 Ted: since 1987		
Typical family profile	Business Owners, Multi-source Earners, Retirees/Financial Independents		
Team Approach	Yes, plus coordination with outside professionals		
COMPENSATION & FEES			
Fee-Only	Yes, you only pay for our services - no commissions or product sales		
Any product commissions?	No. If any mutual funds used they are no load/no 12b-1 fee		

Category	Cavalot Capital	Firm:	Firm:
Minimum Account Size	$500,000 Wealth Management $250,000 Investment Management Only		
Minimum Annual Fee	$10,000 for Wealth Management $0 for Investment Management only		
How are fees paid?	AUM: deducted from investment accounts Monthly retainer: ACH/bank		
Annual Contract?	No, services are provided monthly. Cancel any time		
Any referral fees when recommending me to an outside professional?	None. We interview and maintain contact with each accountant, attorney and agent we recommend but are not compensated in any way		

SERVICES & SUPPORT			
Wealth Management	Yes, planning, investment management and taxes		
Comprehensive Financial Life Planning	Yes, holistic planning incorporating your life goals into your plan, not just financial goals		
Investment Management	Customized, tax-efficient portfolios		
Do you use a TAMP or robo-advisor?	No, portfolios managed/ research done in-house		
Tax Services	Tax planning, tax preparation and tax filing		
Estate Planning Assistance	Yes, titling, beneficiaries, giving strategies, coordination with estate attorneys for final documents (we are not attorneys)		

Category	Cavalot Capital	Firm:	Firm:
Business Owner Planning	Yes. Compensation, benefits, assets, structure, succession		
Equity Compensation	Yes. Stock options, restricted stock, ESPP, etc.		
Crypto	Advice, planning, tax reporting		
Real Estate	Rental properties, primary residence, purchases, sales, tax reporting		
CLIENT CARE, RELATIONSHIP, AND COMMUNICATION			
Clear Point of Contact	Dedicated Lead Advisor		
Proactive Outreach	Regular check-ins, emails, in-person or virtually/phone		
Client Education	Workshops, webinars, newsletters, custom		
Succession Plan	Yes, continuity plan in place with system redundancies		
Performance Reporting	Monthly from Schwab plus on-demand custom reporting available		
Response Time for Questions/ Requests	Typically same day, up to 1-2 business days via phone, text or email		
Technology Access	Financial dashboard to track net worth, transactions, assets, liabilities, financial plan progress		
Ongoing Plan Reviews	Annual, or as needed based on your situation		

Why Cavalot Capital?

We don't just manage your portfolio — we help you manage your future with the clarity, expertise, and responsiveness you deserve. Lifestyle planning isn't just a catch phrase, it means spending more time doing what you love and less doing what you don't. Optimize your money, maximize financial efficiency and leave your mark on the world. **Ready to see the difference a true fiduciary partner can make?** **Work with Us**

Hiring an Advisor Guide

With over 300,000 financial advisors in the U.S., the quality of service and expertise varies widely. Many provide little more than basic portfolio management — often neglecting proactive planning, tax strategies, and personalized advice.

We're not here to simply tell you Cavalot Capital is better, but we can say many advisors charge fees without delivering real value. Whether you choose us or another firm, our goal is to give you the tools to make an informed decision.

Hiring or switching financial professionals is one of the most important steps toward securing your financial future. In this guide, you'll find key factors to evaluate, how advisors are compensated, and essential questions to ask — plus a checklist (found at the end) to help you compare your options.

Financial Industry Components

Financial Advisor, Financial Planner, and Wealth Manager Explained

These terms are often used interchangeably, but refer to different roles within the financial industry. They are not regulated by any governing body or organization making them somewhat useless in evaluating financial professionals alone, but they can often be an indicator of how a financial professional is compensated.

Type	Focus	Typical Services	Credentials	Typical Clients
Financial Advisor	Investment management and basic financial guidance	Investments, retirement accounts, insurance	Varies (may have none)	Broad range of individuals
Financial Planner	Holistic financial strategy and goal planning	Investments, retirement, budgeting, tax planning, education, estate planning, insurance, real estate, business	Many are CFP® (Certified Financial Planner) or ChFC® or none	Individuals & families
Wealth Manager	Integrated, sophisticated financial management	Comprehensive planning, investment management, tax strategies, estate/business succession, family governance	CFP®, CPA, CFA®, JD, or combinations	High-net-worth individuals & families

CFP, ChFC, CFA, and CPA Explained

All of these designations have different education and experience requirements but one thing they all share are strong ethics guidelines and extensive continuing education requirements each year.

Credential	Focus	Key Expertise	Typical Use
CFP® (Certified Financial Planner)	Holistic personal financial planning	Retirement, tax strategy, estate planning, insurance, investments; fiduciary duty required	Individuals and families seeking comprehensive planning
CFA® (Chartered Financial Analyst)	Investment analysis and portfolio management	Securities analysis, asset management, financial modeling	Institutional investors, portfolio managers, asset managers
ChFC® (Chartered Financial Consultant)	Advanced financial planning	Personal finance, behavioral finance, business succession, legacy planning	Individuals with complex planning needs

CPA (Certified Public Accountant)	Accounting and tax strategy	Tax preparation, auditing, financial reporting, regulatory compliance	Tax planning, business accounting, regulatory needs

Organization Structures in Financial Services

There are several types of firms—each with different business models, regulatory standards, legal obligations to clients and service offerings. Understanding these firm types can help you evaluate how advice is delivered, how financial professionals are compensated, and how conflicts of interest are managed, if at all.

Organization	What They Do	Regulation	Compensation	Best For	Examples
RIA Firms	Fee-only financial advice and investment management	SEC (> $100M AUM) or state (< $100M AUM); fiduciary	Fee-based (AUM %, hourly, flat)	Clients wanting fiduciary, holistic planning	Cavalot Capital, boutique firms
Broker-Dealers / Hybrids	Sell securities; hybrids offer both brokerage and fiduciary advice	FINRA, SEC, and states	Commissions (brokerage) + fees (RIA side)	Clients needing transactions, products, or dual service	Edward Jones, Merrill Lynch, LPL
Insurance Companies	Sell insurance and annuity products	State insurance regulators, FINRA (variable products)	Commission based	Clients seeking insurance (caution: often high-cost products)	Northwestern Mutual, MassMutual
Wirehouses	Full-service firms offering investments, planning, lending	Dual: SEC (RIA) + FINRA (broker-dealer)	Fees and commissions; possible sales targets	Clients wanting brand recognition and one-stop services	Morgan Stanley, Merrill Lynch, UBS, Wells Fargo
Investment Banks	Serve corporate, institutional, and ultra-high-net-worth clients	SEC and FINRA	Mgmt fees, performance fees, commissions	$10M+ clients needing private placements, M&A expertise	Goldman Sachs, J.P. Morgan, Citigroup, BofA
Banks & Trust Companies	Investment management plus trust and estate services	Federal/state banking regulators; SEC	Fee-based; may not always be fiduciaries	High-net-worth clients seeking trust, lending, wealth combo	Northern Trust, JPM Private Bank
Robo-Advisors or Turn Key Asset Management	Automated investment management, some advisors use a TAMP to outsource investment management	SEC	Low-cost, algorithm-driven, optional human advice	Cost-conscious, tech-comfortable investors	Betterment, Wealthfront, Schwab Intelligent Portfolios

Ethics in Wealth Management

Fiduciary Explained

One of the first things to ask any financial professional is whether they act as a **fiduciary at all times**. A **fiduciary** is a person or organization that is legally and ethically bound to act in the best interests of another party—typically a client or beneficiary.

A fiduciary financial professional must place the client's interests above their own at all times, providing objective advice free from conflicts of interest. This duty includes full transparency, avoiding self-dealing, and disclosing any potential conflicts. Fiduciaries are often **held to higher professional standards** than non-fiduciary advisors, who may only be required to recommend investments that are "suitable," even if better or lower-cost alternatives exist. Choosing a fiduciary helps ensure you receive advice that is aligned with your goals, not the advisor's compensation whether through commissions or kickbacks.

Financial professionals are held to a fiduciary standard based on their licensing, certifications, and regulatory oversight. For example, Certified Financial Planners™ (CFPs®), have a fiduciary obligation which is clearly defined and enforced by the CFP Board of Standards. All CFP® professionals are required to act as fiduciaries **at all times when providing financial advice to clients**, not just when creating a financial plan. This means they must:

- Act in the client's best interest above their own or their firm's.
- Avoid conflicts of interest, or fully disclose and manage them if unavoidable.
- Provide full transparency around compensation, services, and potential conflicts.
- Act with care, skill, prudence, and diligence based on the client's situation.
- Comply with all applicable laws and regulations.

Failure to meet these standards can result in disciplinary action, including public censure or revocation of the CFP® designation. While not all financial professionals are fiduciaries, those holding the CFP® mark are obligated to meet this higher ethical and professional benchmark when giving advice, making them one of the more client-aligned credentials in the industry.

🚩 ***Red Flag***: If an advisor says they are a fiduciary "sometimes" or "when required," this means they may not always act in your best interest and you should probably continue searching.

Compensation & Fees

Fee-Only vs Fee-Based vs Commission

Financial professionals are compensated in different ways, and understanding their payment structure is the most important factor to consider when deciding who to work with.

- **Fee-Only:** Fee-only advisors are compensated solely by the client, typically through a flat fee, hourly rate, or percentage of assets under management (AUM). They do not receive commissions or third-party incentives, making them the most transparent and least conflicted option. **Fee-only advisors are often fiduciaries and are incentivized to act in the client's best interest.**
- **Assets Under Management (AUM):** Fees that are charged as a percentage of the total account value and debited directly from investment accounts. Typically as an investor has more assets with a particular firm, the overall % will be reduced but the dollar amount will increase. Here are some examples of fee schedule structure:
    - Tiered - The first $500,000 is billed at 1.5%, and anything above that is billed at 1%
    - Single Rate - The entire portfolio value is charged a flat percentage of 1%
    - Flat Fee - The investor pays $10,000 per year regardless of the account value.
- **Fee-Based:** Fee-based advisors receive both client fees and commissions from selling financial products like insurance or mutual funds. This hybrid model can create conflicts of interest, especially if the advisor is compensated more for recommending certain products. **Consumers should ask for full disclosure of how recommendations impact the advisor's pay.**
- **Commission-Only:** These advisors earn money solely through commissions on products they sell—such as annuities, mutual funds, or insurance. While they may offer helpful guidance, they are not required to act as fiduciaries and **may prioritize sales that generate higher compensation over lower-cost alternatives as they are selling products, not advice.**

- **Salary + Bonus:** Some advisors, especially those at large financial institutions or banks, are paid a base salary with incentives tied to sales or business growth targets. While this model can reduce some product-specific bias, **it may still encourage advisors to focus on firm or individual priorities over individualized advice.**
- **Subscription/Retainer Model:** A growing number of advisors now offer services under a monthly subscription or annual retainer. This approach provides predictable costs and access to ongoing advice, often without requiring a large investment portfolio, making it appealing to younger professionals or business owners.

What is the "Average Fee"

Fees can vary greatly depending on experience, service complexity, service breadth and geography, among others. The best way to compare the pricing of different firms is to inquire with several that have similar service offerings and compare the fees directly, if possible.

Traditional AUM Fees	Between 0.5% – 2%, average 1%; decreases as accounts grow
Robo Advisor/TAMP AUM Fees	Between 0.25% – 1.0%, average .5%; decreases as accounts grow
Hourly Fees	Between $100 – $500 per hour, varies greatly by expertise & title
Fixed Fees	Between $1,500 – $10,000+, varies greatly by complexity
Retainer Fees	Between $4,000 – $50,000 per year, varies by services & complexity
Individual Tax Prep Fees	Between $200 – $2,000+ per year, varies greatly by complexity

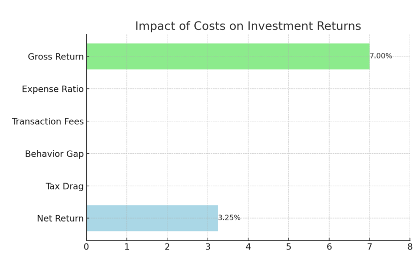
Investment Costs: Expense Ratios, Commissions, and All-in Cost

Even fee-only advisors' recommendations have costs — and costs quietly erode returns over time. Read below to understand the different types of costs to expect. **Note many of these fees are not shown on statements but are deducted from returns.**

Expense Ratios	Ongoing fund fees (0.03%–1.50%+); invisible but costly.
Commissions	Fees for trades, mutual fund loads, annuity commissions.
Transaction Fees	Platform charges: $25–$50 for funds, wire fees, bond markups.
Behavior Gap	Cost of bad timing and emotional investing (~1.5–2% yearly).
Tax Drag	Short-term & long-term capital gains, tax-inefficient assets, location
Capital Gains Tax: **STCG** **LTCG**	Profit made from selling at a higher price than purchase price. Short-term (ST)= held <1yr: taxed as ordinary income. Long-term (LT) = held >1yr: 0-20% (varies by income level)
Investment Taxes	Qualified dividends taxed at LTCG, non-qualified taxed at STCG Interest taxed at STCG (ordinary income)

Example: The True Cost of Investing

- Gross return: 7%
- Minus:
  - 0.50% expense ratio
  - 0.25% transaction fees
  - 2.00% behavior gap
  - 1.00% tax drag
- **Net return:** ~3.25%–4.25%



Key Takeaways

- **Low-cost, tax-efficient portfolios outperform** high-cost, high-turnover ones in the long term.
- **Understand both visible and invisible costs** to maximize net returns.
- Focus on **total return after costs**, not just gross performance.
- **Partnering with a fiduciary advisor** and using **individual securities or passive funds** can help minimize costs.

Investment Management: Services, Strategies, and Terms

Investment management refers to the professional management of an individual's or institution's assets—typically including securities like stocks, bonds, mutual funds, and ETFs—with the goal of growing wealth, generating income, or preserving capital. Services can range greatly.

Active vs Passive

	Active Management	**Passive Management**
Goal	Beat the market, manage risk	Track the market
Method	Research, trends, valuation, selection	Index replication, own everything
Pros	Potential to outperform; tactical, opportunistic, high tax efficiency at individual level	Low cost, tax efficient at fund level, diversified
Cons	Potential higher costs; most underperform, typically tax inefficient at fund level	Market risk, less tax control at individual level
Example	Active US Large Cap mutual fund	S&P 500 ETF

Discretionary vs Non-Discretionary Management

	Discretionary	**Non-Discretionary**
Authority	Advisor manages without client approval	Client approves each trade
Pros	Faster decisions, professional oversight	Client maintains control
Cons	Requires high trust in advisor	Can delay action, miss opportunities
Best for	Clients wanting hands-off management	Clients wanting active involvement

Investment Firm Types & Common Strategies

Traditional RIAs & Broker-Dealers • Diversified mutual funds, ETFs, individual securities • Services: Asset allocation, rebalancing, tax-loss harvesting	***Hedge Funds*** • Strategies: Long/short, event-driven, macro, market neutral • Traits: High risk, high fees, low transparency
Private Equity & Venture Capital • Private company investing, long-term capital growth • Traits: Illiquid, 7–10+ year horizons	***Quantitative/Systematic Managers*** • Algorithms, data-driven models • Techniques: High-frequency trading, factor investing

Common Investment Concepts

- **Asset Allocation:** The mix of stocks, bonds, alternatives to balance risk/return in a portfolio.
- **Diversification:** Spreading investments across asset classes, sectors, geographies and risk types.
- **Risk Tolerance:** Attitudes toward risk and volatility, helps determine proper asset allocation.
- **Time Horizon:** The length of time you expect to hold an investment before needing the money.
- **Volatility:** How much the price of an investment fluctuates up and down; contributes to behavior gap
- **Leverage:** Borrowing additional funds to invest and amplify returns (and risk).
- **Derivatives:** Options/futures for hedging risks or enhancing returns, or both.
- **Rebalancing:** Periodically adjusting portfolio back to target allocations over a given period of time.
- **Tax-Loss Harvesting:** Selling assets with losses to then offset taxable gains or taxable income.
- **Asset Location/Tax Location:** Matching investments to the most tax-advantaged account to minimize tax drag.
- **Tax-deferred:** Accounts like IRA/401k where money goes in tax-free; tax paid only on withdrawal of funds.
- **Tax-advantaged:** May refer to Roth accounts (IRA, 401k) where money is invested after-tax, withdrawals are tax-free.
- **Tax-exempt:** Municipal bonds from local or state government exempt from Federal income tax (maybe state).
- **Index:** Measurement of performance of a group of stocks for benchmarking. S&P 500 = 500 largest US companies.

Common Investment Vehicles and Types

Vehicle	What It Is	Pros	Cons
Stocks	Ownership shares in publicly traded companies	High growth potential; Liquidity; Transparent pricing	Market volatility; Emotional investing risk
Bonds	Debt instruments issued by governments or corporations	Steady income; Lower volatility; Capital preservation	Inflation and interest rate risk; Credit/default risk
Mutual Funds (Open-End)	Pooled investment vehicles often with specific asset class objectives, e.g.: US Large Cap Growth stocks only	Diversification; Professional management; can fit very specific portfolio needs	Potentially high fees: sales charges to buy (load) and ongoing commissions (12b-1); Less tax control
Exchange-Traded Funds (ETFs)	Primarily low-cost funds that track market indexes, sectors or countries, traded like stocks	Low cost; Tax-efficient; Intraday trading flexibility; trade like stocks	Market risk; Limited to index returns
Closed-End Funds (CEFs)	Fixed-share investment funds traded on exchanges	Income-oriented strategies; Opportunity to buy at a discount	Illiquidity; Higher volatility; Complex fee structures
Annuities & Insurance-Based Investments	Insurance products with investment features (e.g., annuities)	Guarantees (income, protection); Tax deferral; Estate planning benefits	High fees; Limited liquidity; Complex terms
Alternative Investments	Private equity, real estate, hedge funds, and other non-traditional assets	Diversification; Low correlation to stocks/bonds; Access to niche markets	High fees; Illiquidity; Regulatory complexity
Separately Managed Accounts (SMAs)	Custom portfolios managed for individuals	Customization; Direct security ownership; Tax control	Higher minimums; Active monitoring required
Cash & Cash Equivalents	Short-term, liquid holdings for capital preservation	Liquidity; Capital preservation; Good for emergencies	Low returns; Taxable interest income

Integrated Wealth Management

Investment Management | Tax | Holistic Financial Planning

We believe that truly great financial advice starts with understanding you. We are a fee-only, fiduciary wealth management firm dedicated to delivering transparent advice, customized planning, and proactive guidance. Our experienced team works with business owners, multi-income earners and those seeking lifestyle independence to integrate their investment, tax, and financial planning strategies into a cohesive, personalized plan.

ALLOCATE WEALTH

- Identify where you want to spend your time and energy
- Assess your financial situation & make informed financial decisions
- Create a plan to fund your ideal lifestyle and framework to navigate change

GROW WEALTH

- Align your attitude towards risk with your investments
- Create your portfolio to match future needs and expenses
- Outsource day-to-day investment decisions so you can spend more time doing what you love

CONSERVE WEALTH

- Utilize proactive planning and current events to minimize unnecessary taxes
- Eliminate surprise tax bills
- Keep more money in your pocket to use towards goals

DAMIAN PALFINI, CFP® RLP®

Wealth Planner

Damian founded Cavalot Capital in 2021 and has been helping people navigate the financial industry for over 15 years. He is a CERTIFIED FINANCIAL PLANNER™ professional and Registered Life Planner®.

TED PALFINI

Wealth Advisor

Ted has been assisting clients with investment, tax and planning issues since 1987 and presently manages the Redding office where he specializes in Retirement Planning & Income, Social Security & Legacy Planning.

STEP 1: ASSESS

- Complete Interest Form
- Share your financial and lifestyle goals & check fit
- Provide info to assess your investments & taxes for financial optimization

STEP 2: PLAN

- Review Financial Optimization Assessment results together
- Receive actionable insights
- Craft a plan to achieve lifestyle independence with step by step guidance and support.

STEP 3: NAVIGATE

- Navigate unforeseen life events in real time with our help
- Utilize a framework to make optimal financial decisions
- Have confidence with a dedicated financial partner

Start Here: Work With Us

Fee-Only Fiduciaries | One-Stop Financial Shop | Create Your Ideal Life