



A Racial Equity-Centered Approach to Choosing A Financial Advisor

| 7 Questions to Ask

Introduction

Selecting the right advisor among the crowd of nearly 300,000 in the United States is daunting. Beyond reviewing the basics: credentials, work experience, whether the advisor is a fiduciary (and what that means!), and compensation arrangements, there are a host of other factors you may want to consider. That's especially true if you want to incorporate racial diversity, whether in your portfolio or your advisor selection process.



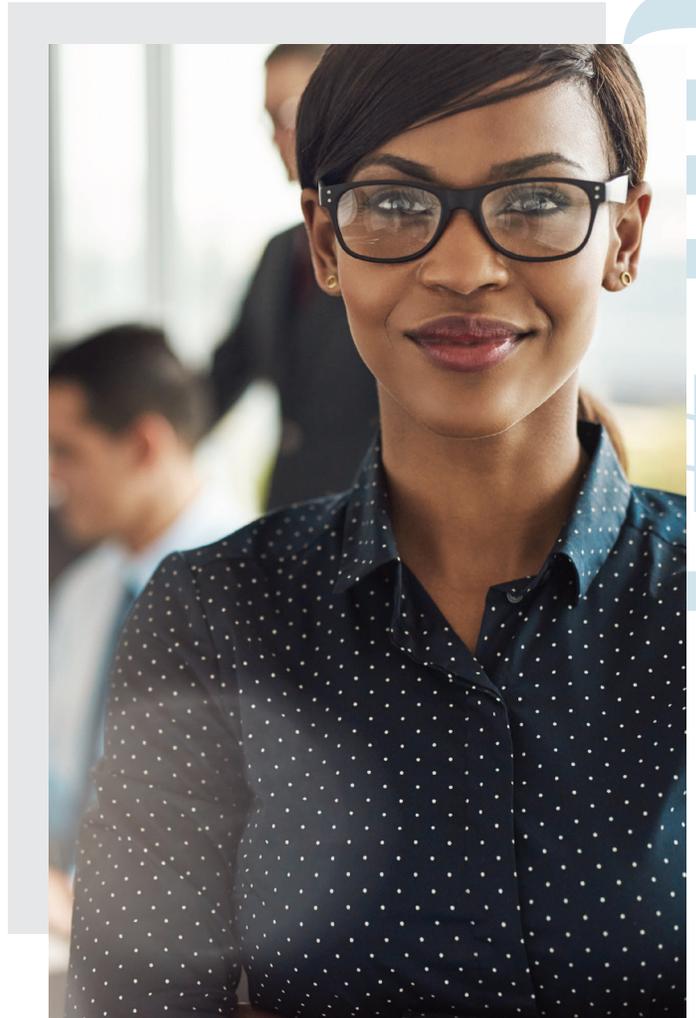
In an industry where only **3.8%** (3,259 of more than 87,000) of **Certified Financial Planner professionals are Black or Latinx**, those for whom racial equity is an imperative must be intentional in their process of selecting a new advisor or evaluating their current one. Our questions below are meant as a guide to including racial equity and/or firm diversity as criteria for selecting an advisor.

Do you serve in a fiduciary capacity at both the individual and company levels?

Unfortunately, the bar for becoming a financial advisor is embarrassingly low. Incredibly, there is no legal requirement that all advisors place their clients' interests ahead of their own or even that they disclose all potential conflicts of interests. So a good place to start is with understanding a prospective advisor's financial incentives.

At **GRID 202 Partners**, all our advisors are Chartered Financial Analysts and/or Certified Financial Planners or are working toward one of the designations. Both the CFA and CFP® designations require members to act as **fiduciaries**.

In some cases, for instance at broker-dealers, an advisor may consider herself a fiduciary but the firm she works for does not adhere to the fiduciary standard. In our case, we are fiduciaries at both the company and individual advisor levels.



What percentage of your advisors are BIPOC (Black, Indigenous and other people of color)?

Diverse representation matters. Empirical research on diversity and financial performance shows companies with more racial and gender diversity in their leadership teams perform better than do more homogenous firms. Despite the compelling evidence, one recent study showed only 0.5% of advisors at independent RIA firms like GRID are African-American.

For smaller firms, you can simply visit the “About Us” or “Our Team” pages on their website to see the team’s racial diversity. Larger firms (over 100 employees) must provide this information to the federal government, but are not required to disclose it publicly. To find out where they stand, you may want to request their EEOC data.



Does your firm have a statement or policy regarding diversity, equity and inclusion?

It is common, even more so lately, for companies to issue statements proclaiming their commitment to diversity, equity and inclusion. It is rare to see firms follow through on those statements with tangible actions they consistently measure.

Reviewing a firm's statement and seeing how it is reflected (or not) in the firm's hiring practices, business, and investment functions will give you a clearer picture of the depth of its commitment.



Does your firm provide financial support to private prisons?

If you do not want to own private prisons or detention centers in your portfolio, you should not have to. Besides asking potential advisors direct questions, this [site](#) is a great resource for identifying companies and funds with questionable business practices as it relates to communities of color. We often use it when assessing a prospective client's existing portfolio holdings.



What percentage of your current assets under management are managed by firms with majority ownership by Black, Indigenous and other People of Color?

A recent study from the Knight Foundation found that only 1.3% of the \$69 trillion in global investment assets are managed by diverse and woman-owned asset management firms. However, a recent study from Harvard Business School and Bella Research Group found “there is no statistical difference in performance between diverse-owned firms and their peers.” That means clients who prioritize diversity and achieving returns, should not have to choose between investing in line with their values and firms with no diverse representation.

GRID has built strong relationships with diverse managers across both public and private markets. We increasingly find appropriate opportunities to entrust client assets with these managers—all of whom have demonstrated an ability to consistently outperform their respective benchmarks.



How do you incorporate racial equity and social justice into your investment philosophy and ultimately your investment manager/security selection?

Your values deserve to be reflected in your investment portfolio. The investment profession has evolved such that you do not have to park your personal passions at the door when it comes to making decisions about your investment assets.

Be sure your advisor knows you and what you care about before working with your money. We work closely with our clients to understand what drives them, and what value and belief systems guide them, before we invest one dollar on their behalf.



Has your firm ever served as the underwriter of a municipal bond directly tied to the settlement of an officer accused of murdering a Black, Indigenous or other person of color?

If you are passionate about social justice you should not have to unintentionally support financial instruments that help sustain one of the most troubling examples of systemic racism we as a society face.

While many large firms profit from police violence, we believe it's possible for every dollar in your portfolio to be directed toward positive social impact. Your advisor should be able to describe the types of projects and activities your bond funds are supporting. We work closely with clients to ensure their bond holdings are providing reliable returns while not funding activities misaligned with their values.

Do you have more questions about choosing a financial advisor or want to learn more about working with GRID?

Please contact us.



About GRID 202 Partners

GRID 202 Partners is a registered investment advisory firm founded in Washington, D.C. by Keith Beverly. Rooted in key values Beverly developed while growing up in the nation's capital, GRID approaches its work with clients with resilience, integrity, excellence and community. GRID serves both individual investors and institutions with a special interest in ensuring client investment assets align with their social and moral values. Our firm's two partners bring more than 35 years of industry experience having managed more than \$3 billion in assets for individual and institutional clients. To learn more about GRID visit [GRID 202 Partners](#).



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