



Client Focused Financial Planning  
*We share ideas*

# CHOOSING A FINANCIAL PLANNER

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Financial planners advise clients on how best to save, invest, and grow their money. They can help you tackle a specific financial goal—such as readying yourself to buy a house—or give you a macro view of your money and the interplay of your various assets. Some specialize in retirement or estate planning, while some others consult on a range of financial matters.

Don't confuse planners with stockbrokers — the market mavens people call to trade stocks. Financial planners also differ from accountants who can help you lower your tax bill, insurance agents who might lure you in with complicated life insurance policies, or the person at your local Fidelity office urging you to buy mutual funds.

Anyone can hang out a shingle as a financial planner, but that doesn't make that person an expert. They may tack on an alphabet soup of letters after their names, but CFP (short for certified financial planner) is the most significant credential. A CFP has passed a rigorous test about the specifics of personal finance. CFPs must also commit to continuing education on financial matters and ethics classes to maintain their designation. The CFP credential is a good sign that a prospective planner will give sound financial advice. Still, even those who pass the exam may come up short on skills and credibility. As with all things pertaining to your money, be meticulous in choosing the right planner.

Typically, financial planners earn their living either from commissions or by charging hourly or flat rates for their services. A commission is a fee paid whenever someone buys or sells a stock or other investment. For reasons we'll explain later, you may want to avoid financial planners who rely on commissions for their income. These advisers may not be the most unbiased source of advice if they profit from steering you into particular products.

A growing number of financial planners make money only when you pay them a fee for their counsel. These independent financial planners don't get a cut from fund managers. You might pay them a flat fee, for a financial plan. Or you could pay an annual fee, often 1% of all the assets—investment, retirement, college-savings and other accounts—they're minding for you. Others charge by the hour, like lawyers.

You might also encounter financial planners who cater exclusively to the rich and refuse clients with less than \$250,000 to invest. Don't take it personally—hugely successful planners would just prefer to deal with big accounts rather than beginner clients. You want a planner who'll make the time to focus on your concerns and is interested in growing with you.

## **Should You Use a Financial Planner?**

You can certainly go it alone when it comes to managing your money. But you could also try to do it yourself when it comes to auto repair. In both areas, doing it yourself is a brilliant idea for some, and a flawed plan for many, many others. Mastering personal finance requires many hours of research and learning. For most, it's not worth the time and ongoing effort.

As you get older, busier and (it is hoped) more wealthy, your financial goals – and options – get more complicated. A financial helper can save you time.

Financial planners can also help you remain disciplined about your financial strategies. They'll make the moves for you or badger you until you make them yourself. Procrastination can cause all sorts of money problems or unrealized potential, so it pays to have someone riding you to stay on track.

We're not suggesting that you ignore personal finance and turn over all your concerns to an adviser. But even if you know the basics, it's a comfort to know that you have someone keeping watch over your money.

It may sound crazy to give someone 1% of your annual assets to manage them, but you get a buffet of advice about almost anything related to personal finance. The price becomes sensible when you consider that you're paying to

establish a comfortable retirement, save for your child's education or choose the right mortgage when borrowing hundreds of thousands of dollars.

### **How to Find the Right Financial Planner**

It's best to go with a certified financial planner (CFP), which is an instant signal of credibility – but not a guarantee of same. To start, ask people like you if they can recommend a planner. If you have kids, ask a colleague who also has children. If you're single and just out of schooling, check with a friend in the same boat. If possible, you want to find a planner with successful experience advising clients in the same stage of life as you.

A few more tips for finding the best planner for your situation:

Consider the planner's pay structure. You typically want to avoid commission-based advisers. Planners who work on commission may have less than altruistic incentives to push a certain life insurance package or mutual fund if they're getting a cut of that revenue.

But fee-based advisers aren't perfect. Advisers earning 1% of your annual assets might be disinclined to encourage you to liquidate your investments or buy a big house, even if those are the right moves at a particular point in your life, because their fee would shrink.

If you're starting out and don't have a trove of assets, a planner who charges by the hour could be the best fit. These planners are best for when your needs are fairly simple. Typically, hourly planners are just building their practice, but that usually means they'll take the care to get your finances right. After all, they're relying on your recommendation to grow their business. Finally, many experienced advisers do hourly work because they enjoy working with younger clients who can only afford to hire someone at that rate.

Look for a fiduciary. In short, this means the planner has pledged to act in a client's best interests at all times. Investment professionals who aren't fiduciaries are often held to a lesser standard, the so-called sustainability standard. That means that anything they sell you merely has to be suitable for you, not necessarily ideal or in your best interest. This point is critical, and should be a deal breaker if a prospective planner is not a fiduciary.

Run a background check on your planner. Start with these two questions: Have you ever been convicted of a crime? Has any regulatory body or investment-industry group ever put you under investigation, even if you weren't found guilty or responsible? Then ask for references of current clients whose goals and finances match yours.

Check to ensure the credentials the person claims to have are current. Google them, see who administers the designation, then call that administrator to verify that the credential is valid.

Beware of market-beating brags. Warren Buffet outperforms the market averages. There aren't a lot of people like him. If you have an initial meeting with an adviser and you hear predictions of market-beating performance, get up and walk away. No one can safely make such guarantees, and anyone who's trying may be taking risks that you don't want to take.

Asking someone whether they'll beat the market is a pretty good litmus test for whether you want to work with them. What they should be promising is good advice across a range of issues, not just investments. And inside your portfolio, they should be asking you about how many risks you want to take, how long your time horizon is and bragging about their ability to help you achieve your goals while keeping you from losing your shirt when the economy or the markets sag.

### **Important information**

This information is of a general nature only and is not intended to constitute personal advice. It does not take into account your particular investment objectives, financial situation or needs and, accordingly, you should consider the appropriateness of this information in light of your own circumstances. We recommend that you obtain professional advice before undertaking financial transactions.

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