



## **How a Financial Planner Can Help You...and How to Choose the Right One**

Like most people, you have aspirations and life goals for yourself and your family. These might include buying a home or business...saving for college education for your children...taking a dream vacation...reducing taxes...retiring comfortably. Financial planning is the process of wisely managing your financial resources so that you can achieve your dreams and goals—while at the same time helping you negotiate the financial barriers that inevitably arise along the road of life.

Managing your personal finances is ultimately your responsibility. But you don't have to do it alone. A qualified financial planner, such as a CERTIFIED FINANCIAL PLANNER™ professional, can help you make decisions and implement strategies that make the most of your financial resources.

True financial planning is a multi-step process, not a product to buy. This process holds true whether you do your own financial planning or you work with a professional adviser.

- 1.** Gather all relevant personal and financial data such as your family circumstances, income, net worth, insurance, taxes, investments and estate plan
- 2.** Identify, clarify and prioritize financial and personal goals
- 3.** Develop a realistic, comprehensive course of action to meet your goals by addressing financial weaknesses and building on financial strengths
- 4.** Implement your plan using the financial tools most appropriate for your situation
- 5.** Monitor your plan's progress and adjust, if necessary, your goals and strategies in response to changing personal

circumstances, new tax laws and new appropriate products

## **Do you need the services of a financial planner?**

How do you know if you could benefit from the services of a qualified financial planner in order to best accomplish your financial plan? You may not have the time or the desire to actively plan and manage certain financial aspects of your life. You may not have the expertise necessary to evaluate and select from the plethora of complex products and financial strategies. You may benefit from an objective, third-party perspective on what are often emotional, difficult decisions. And in today's hectic world, it can be beneficial just to have a financial expert looking over your shoulder to double-check your own planning efforts and make sure you stay focused and follow through with your financial plans.

## **Events that might prompt you to seek the services of a planner**

Often a specific event or need will trigger the desire for professional financial planning guidance. These might include:

- Buying, selling or passing on a family business
- Saving enough for retirement, or rolling over a pension or IRA
- Determining how best to withdraw funds from your retirement nest egg to pay for retirement
- Handling the inheritance of a large sum of money or other unexpected financial windfall
- Choosing the best employment or separation package

- Buying a home
- Planning for marriage, divorce or the birth or adoption of a child
- Facing a financial crisis such as a serious illness, death of a spouse, unemployment or natural disaster
- Caring for aging parents or a disabled child
- Funding advanced education
- Developing a charitable-giving plan

You may want a financial planner to focus on just one or two of these issues, or perhaps put together a comprehensive plan that addresses a wide range of needs. Whatever your needs, planning should be done based on the context of your overall personal and financial situation, not just on an isolated element. That's because the premise of real financial planning is that the elements of our financial lives are interlinked.

## **Aren't all financial planners the same?**

No! Be wary of people who call themselves financial planners or financial advisers but who appear more interested in pushing specific financial products at the expense of your real needs and goals. A genuine financial planner will always help you address your financial needs in the context of your unique financial picture and not propose off-the-shelf solutions.

Moreover, not every financial planner is a CERTIFIED FINANCIAL PLANNER™ professional. CFP® professionals have gone through rigorous education and testing in order to receive their certificate, and as CFP® practitioners they have an ethical duty to act in your interests first, not theirs.

## **Aren't financial planners regulated?**

No! People who call themselves financial planners are not currently regulated as financial planners by either state or federal government. Many financial planners are regulated by states on subsets of financial planning, such as securities or insurance, but not on their overall financial planning activities.

The Securities and Exchange Commission (SEC) and most states have requirements for people who provide investment advice, which would include any legitimate financial planner. The Financial Planning Association™ (FPA™) encourages you to make sure the planner you choose is a registered investment adviser or is an agent of a company that is registered.

CFP® practitioners are certified and regulated by the Certified Financial Planner Board of Standards Inc. (CFP Board). By virtue of their CFP® certification, granted by CFP Board, CFP® professionals are held accountable to CFP Board's Code of Ethics for their financial planning activities.

## **Why a CFP® professional?**

Most CFP® professionals are dedicated to using the financial planning process to serve the financial needs of individuals, families and businesses. Most CFP® professionals have earned a four-year college degree in finance-related areas and have completed a course of study in financial planning approved by CFP Board.

To earn the prestigious CFP® certification and remain certified, individuals must meet four main requirements:

**Education**—Candidates for certification must show the attainment of certain educational requirements before sitting for the exam. Once they become CFP® certificants, they must complete 30 hours of continuing education every two years to stay current in financial planning knowledge, including ethics.

**Examination**—They must successfully complete the comprehensive CFP® Certification Examination, which tests the individual's knowledge on various key aspects of financial planning.

**Experience**—They must acquire three years financial planning-related experience before receiving the right to use the marks.

**Ethics**—They must voluntarily ascribe to CFP Board's Code of Ethics and additional requirements. CFP® professionals who violate the code can be disciplined, including the permanent loss of the right to use the marks.

Compliance with these four all-important areas assures you that an individual who holds the CFP® certificate is well prepared and qualified to give you sound, professional advice.

As a result of its established recognition and credibility as a symbol of educational competence and continued commitment to financial planning excellence, FPA recommends the use of a CERTIFIED FINANCIAL PLANNER™ professional for your financial planning needs. Other credible designations for financial planning include the Chartered Financial Consultant (ChFC) and the Personal Financial Specialist (PFS), which have their roots in financial disciplines such as insurance and accounting.

## **How do I choose the right financial planner for me?**

Choosing a financial planner is as important as choosing a doctor or lawyer. Working with a financial planner is a very personal relationship. In addition to competency, a financial planner should have integrity, trust and a commitment to ethical behavior and high professional standards. You want a planner who will put your needs and interests first.

Also, many planners specialize in working with certain types of clients, such as small-business owners, executives or retirees. Some have minimum income and asset requirements. Some specialize in certain areas of planning such as retirement, divorce or small-business owners. This is why we recommend that you interview at least three planners in person to find the right one to serve your needs.

## **What information should I ask for?**

First, request a written disclosure document from the planner. This will be what's called a Form ADV or an equivalent brochure. This should answer many of your questions. You may then want to follow up with a personal interview, which many planners will do for free.

Some of the basic information you want to gather:

- What financial planning and other financial designations the planner holds
- Educational background and work experience
- Licenses to sell certain financial products, such as life insurance or securities
- Services the planner provides
- The planner's basic approach to financial planning

- Areas of specialization
- Types of clients the planner serves and any minimum net worth or income requirements
- Professional affiliations, including the Financial Planning Association
- How the planner prepares a plan
- How the planner might address your particular needs
- Whether the planner or others will implement recommendations from the plan
- Business relationships the planner has that might present a conflict of interest
- How the planner is paid for services and the typical charges

A face-to-face interview also should give you a personal sense about the planner. Does the person seem forthright in their answers? Do you have a sense of trust and rapport? Is the person focused on your needs versus pushing products?

## **Why is ‘full disclosure’ vital as I pick a planner?**

At the heart of any working relationship with a financial planner is trust. Trust is built on two factors: the planner acting in your best interests and full disclosure of the planner’s background, business practices and other issues.

Full disclosure means the planner is forthright in providing answers about the planner’s work experience, compensation, methods of planning and so on. For example, what business relationships does the planner have? These might be relationships with companies whose products the planner sells, or referral fees the planner earns by referring you to certain professionals.

The financial planner also should disclose any disciplinary actions that may have been taken against the planner by various government

regulatory agencies and professional associations. CFP Board (888.CFP.MARK) can confirm whether disciplinary action has been taken against a particular CFP® licensee.

If a financial planner does not provide full disclosure, that is a sign you should take your financial planning business elsewhere.

## **How do financial planners charge?**

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Financial planners can be paid in a variety of ways for their work. Some are paid by more than one method. FPA has no formal position on the merits of any form of compensation. Instead, it is our belief that the planner's competence and ethical standards should be the primary consideration in your selection process. But before entering into a relationship with a planner, you should have a clear understanding of how he or she will be compensated. A particular compensation arrangement may best suit your needs.

The most commonly accepted methods of compensation are:

- **Fee-only:** The planner is paid entirely from fees for purposes of consultation, plan development or investment management. These fees may be charged on an hourly or project basis depending on your needs, an annual retainer, or on a percentage of assets under management or total net worth.
- **Commission-only:** There is no direct charge for the planner's advice or preparation of a financial plan. Financial institutions pay the planner for financial products bought by the client in order to implement financial planning recommendations.
- **Combination Fee/Commission:** A fee is charged for consultation, advice and financial plan preparation on an hourly, project or percentage basis. In addition, the

planner may receive commissions from the sale of recommended products used to implement your plan.

- Fee-offset: Commissions from the sale of financial products are offset against fees charged for the planning process.
- Salary: Some planners work on a salary and bonus basis for financial services firms.

In all of the above categories of compensation, you should request information on any real or potential conflicts of interest. In addition to commissions received from any financial product sales, ask whether the planner might receive outside incentives or bonuses for making certain recommendations or referrals.

## **How should I start looking for a planner?**

Ask for names from friends or business associates who may have used a financial planner. Attorneys, accountants, insurance agents, other financial specialists also can be good sources because planners often work with them to carry out a client's plan.

FPA's National Financial Planning Support Center can provide a list of CFP® professionals in your area. Visit [www.fpanet.org](http://www.fpanet.org) or you can call our toll-free phone number at 800.647.6340.

Check with the SEC, your local Better Business Bureau and CFP Board at 888.CFP.MARK (237.6275) to determine if complaints have been filed against the planner you are considering.