



It's a Long Relationship; Find the Right Person to Help Map Your Economic Future

Selecting a Financial Planner

by Alexandra Armstrong, CFP

In last month's article, I discussed the purpose of a financial plan and what information it should include. Even more important than the actual financial plan, however, is the financial planner who prepares and helps you implement the plan. As I indicated, the financial plan is the starting point — a road map, if you will. Financial planning is a lifelong process and your financial planner is your driver. Therefore, it's very important you select the right person to be your financial planner, as this should be a long-term relationship.

Just as you select a doctor or lawyer, your financial planner should be experienced, educated and empathetic. After working with your planner for a while, he'll know more about you than most people do — even other family members — so trust is an integral part of your selection process.

How do you find a financial planner?

The best way is to ask family, friends and other professional advisers for referrals.

Ask whether they've worked with or know of a financial planner who's helped people successfully achieve their financial goals. Another source is to contact the Financial Planning Association, which maintains a database of financial planners searchable by ZIP code. (*Visit www.fpanet.org.*)

Once you have the names of two or three planners, call their offices and ask them to send you some descriptive material about themselves and their firm. Most firms have websites that will provide you with information about the firm.

If the financial planner charges a fee for giving financial advice and manages more than \$100 million, the planner would be a registered investment adviser with the Securities and Exchange Commission. As a registered investment adviser, the planner must provide you with a Form ADV Part 2A/Part 2B, which is the form they submit to the SEC that describes the work experience of the principals in the firm, as well as services provided.

Once you've reviewed the material, make an appointment for an introductory meeting. This interview should be free of charge and is a "get to know you" interview. It's to determine whether you think the planner is the right one for you and vice versa.

At our firm, we ask you to complete and return to us a financial questionnaire before the meeting. This way we have a chance to look at your situation before you arrive and thus the meeting can be more productive. Some people are reluctant to provide all that personal information before the initial meeting, and that's fine.

After you review the preliminary material, you should look for answers to the following questions. Some of this information will be available in the material; others will be answered in the initial meeting.

What financial planning credentials do you have?

A certified financial planner practitioner (CFP) is the best-known educational credential in the financial planning profession. To qualify as a CFP practitioner, the planner must successfully complete a course of study in all aspects of financial planning and pass a comprehensive written exam. In addition, the practitioner must have at least three years of experience counseling clients on financial planning matters. To retain certification, the planner must complete a minimum of 30 hours of continuing-education credits every two years and agree to abide by a professional code of ethics.

There are other financial planning designations, including the chartered financial consultant (ChFC), which is sponsored by the insurance profession, and personal financial specialist (PFS), which is part of the accounting profession.

How long have you been providing financial planning advice to clients?

We recommend that the planner has had at least three years' experience working with clients or under the supervision of a more experienced planner. It's our opinion that the longer you've been practicing, the more valuable you can be to the client.

Do you specialize in working with a certain kind of client?

Some planners require new clients to have a minimum level of income or assets, or both. In today's era of specialization, many planners specialize in working with a certain type of client (doctor, corporate executive, business owner, widow, retiree) and may not want or have the expertise to work with other types of clients.

Do you provide other services besides financial planning such as tax preparation, investment management and estate planning?

Some planners offer only financial planning advice and work with other advisers to provide other services. Other planners provide some or all of the related services.

How do you charge for your services?

Here we need to distinguish between what a financial planner charges and what a financial adviser charges.

Most financial planners charge an hourly fee for their financial planning advice and typically have a minimum fee. Some planners charge a flat fee, while others will waive their financial planning fee if you decide to let them manage your money.

However they're compensated, preparing a personalized, effective financial plan requires time and experience. Just as you pay doctors, lawyers and accountants for their professional advice, so should you pay your financial planner for preparing a financial plan and providing you with financial planning advice.

For investment management, most financial planners will charge a separate investment advisory fee based on the assets managed. Some may charge a commission for transactions in your portfolio and an annual monitoring fee.

However they charge, the financial planner should make it clear to you what and how they'll charge for financial planning advice, as well as for investment advice. You should ask

for an estimate of what your financial plan will cost. Just like when you work with your accountant, the more you've organized your financial information, the less time it'll take the planner to prepare your plan.

When will I pay for your services?

Some planners require an initial deposit while others wait until the initial plan is completed to charge the fee. At our firm, we find the client will provide us with the information in a more timely fashion if they've made an initial deposit.

Will you be handling me personally or will I be working with others in your firm?

Just as in a law firm, it wouldn't be unusual for a senior adviser to delegate part of the work to others in the firm, which often means that some of the work will be charged at lower rates. What's important is that your adviser takes primary responsibility for supervising and implementing your financial plan. If more

than one person will be involved in the financial planning process, ask to meet the other people involved.

What's the next step?

After you meet with the planners, you'll decide whom you want to work with on an ongoing basis. Once you've made your selection, typically the planner will provide you with a written contract that will outline what he'll do for you and what he needs you to provide to him. He'll tell you how he'll charge for his services and how you'll be billed.

The first year together in the financial planning process is the most labor-intensive because it's the organizational phase of the relationship. After this initial year, you should feel in better control of your financial future since you know that you have a plan to follow.

Over the ensuing years, economic conditions, markets, tax laws, investment opportunities and your situation will change, and your planner will adjust the plan accordingly to reflect these changes. Selecting the right financial planner to guide you down the road to financial independence will help you in the achievement of your goals. **B**

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