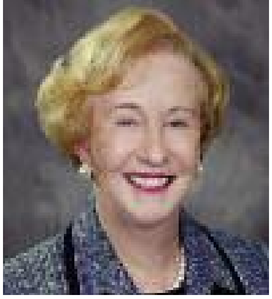

Clear Goals and Accurate Paperwork Help the Process Along

Get the Most From Financial Planning

by Alexandra Armstrong, CFP

Much has been written about how you can select a good financial planner (see *BetterInvesting Magazine*, February issue). But little is written about how to be a good client and maximizing your experience once you've made your selection. Some people think financial planning means just obtaining a financial plan and then the job's done.

As I've emphasized in previous columns, the plan is just the starting point of the relationship. To achieve your lifetime financial goals, it's important that the planner and client work together effectively. Here are some suggestions to establish and maintain a successful relationship with your financial planner.

Provide all the financial information that the planner requests of you.

The more accurate the information you provide your planner, the more helpful your financial plan will be. If you give us incomplete or inaccurate data, we may reach inaccurate conclusions. Once the error is detected, we'll have to redo the plan. Since most planners charge an hourly rate, this can increase your costs.

For instance, we need to see your most recent mortgage agreement so that we know what kind of mortgage you have, the amount borrowed, the term of the mortgage and the current interest rate in order to know how much of your mortgage payment is tax-deductible each year. Just knowing your balance due and your interest rate isn't sufficient. On the personal side, it's important that we know whether in the future you might have to support a parent, sibling or handicapped child in addition to yourself.

Be honest with your adviser about your financial goals, risk tolerance and attitudes toward different kinds of investments.

To construct an effective financial plan, we need you to define and prioritize your financial goals. If you really want to retire at 55 rather than wait to age 65, say so. Based on your current situation, your planner may tell you that it may not be financially possible to retire at 55.

If retiring at that age is your No. 1 financial-planning goal, however, your planner can help you determine what the shortfall is and what remedial action you might take to retire at that age or at least sooner rather than later.

There's no right or wrong attitude toward taking risk. It's all right to declare yourself conservative or a risk-taker (although I find a client's attitude toward taking risk changes in direct relation to whether their assets are gaining or losing value). What's important is to tell your planner the way you really feel. Many planners will ask you to take a risk-tolerance test. We'd urge you to take it. If you're married or have a partner, both of you should take it. You may find the results surprising!

Because of experiences you, your family or friends have had in the past, you may want to avoid a particular type of investment. There's more than one way to achieve successful investment results, so if your planner knows you'd prefer not to make one investment over another, this can be factored into your recommendations. On the other hand, your planner may point out to you that a particular investment might not have been a good one in the past but is now due to a change in structure or economic conditions. Try to keep an open mind in this regard.

Ask questions if you don't understand what the planner is telling you — even if you think the questions seem naïve.

There's no such thing as a stupid question — you're merely asking a question about a subject in which you lack expertise. After all, you wouldn't be paying the adviser if you thought you had the knowledge and/or time to do it yourself. The adviser might assume that you're more financially knowledgeable than you are, so it's your job to tell your planner when you don't understand.

> **"The plan can and should be modified over time as your situation changes."**

Once you receive the written plan, if it doesn't reflect your situation accurately or you've changed your mind since you started the financial-planning process, tell your planner so that adjustments can be made. As mentioned above, the financial plan should be a starting point in achieving your financial goals. The plan can and should be modified over time as your situation changes. Most financial planners charge an hourly rate for their work, but once the basic information is in the computer, the information can be changed relatively easily.

On the other hand, don't get carried away with running multiple scenarios.

Sometimes clients aren't sure when they hope to retire and they want to perform several "what if" calculations. These questions might include: "What if I retire at age 55, or 60, or 65? What if we move to Florida and rent our current home? What if we buy a second home?"

Although the plan document is designed to be flexible, you can spend a lot of money having these additional scenarios considered. Think through what your goals really are before meeting with the planner. Once you've seen the results, the plan can always be modified.

Implement the planner's recommendations in a timely manner.

Before agreeing to work with your financial planner, we presume you investigated his or her expertise. Thus, when the planner gives you advice, follow it. If you have questions about the guidance, discuss them with the planner immediately.

If you wait six months to implement the advice, another set of recommendations might become more appropriate. Advice such as updating your will would still be relevant, but a guidance to shift from one investment to another within your retirement plan could change.

Inform your planner about any financial changes in your life.

Obviously, you'd notify your financial planner if you lost your job. What's less obvious is letting your planner know that you've started to send monthly checks to your father, who recently was diagnosed with Parkinson's disease, or that you were helping a child whose marriage is floundering. Your planner not only might need to adjust your financial plan to reflect these financial changes, but also might be able to help you identify other people who could assist you with your family's financial difficulties.

Call your planner before you make any major financial decisions.

Sometimes clients tell us after the fact that they've refinanced their home, leased a car or provided a loan to a family member. Since the planner knows your total picture, he or she can help you decide whether to take the action you're contemplating and, even more importantly, how to do it most effectively. For instance, if you're going to loan a friend or family member money, you should draw up a formal agreement. That way, if you aren't repaid, you can deduct the loss on your tax return.

Planners don't want to be in the position of telling clients after the fact that they shouldn't have taken a particular action or that they did it the wrong way. It's better to ask first, even if the planner agrees that your decision is the right one.

Treat your planner and the staff members as you'd like to be treated.

Although your financial planner wants to be responsive to you, some problems you may face are more crucial than others. Try to distinguish between them when you contact your planner. Keep in mind that planners have other equally important clients who may need advice as well.

For instance, if it appears a dividend hasn't been credited to your account correctly, don't insist on an immediate answer. It often takes some time to find out what went wrong in your account and to correct it. On the other hand, if you're leaving town tomorrow and must get an immediate answer to a pressing question, say so.

Try not to wait until the last minute to ask for help. For example, if you're missing a cost for something you sold last year and will need that information to prepare your tax return, don't wait until April 14 to call for the information. Instead, call earlier in the year or ideally when you sell the investment. Researching costs of investments can take time, especially if more than one client is calling for this type of information at the same time.

By the same token, if you find that your planner or a staff member consistently is not responsive in a timely fashion, it's legitimate to complain about this lack of service either to the person involved or to the manager of the office.

Recognize the need for regular reviews of your financial plan.

Although it may not be necessary to have a comprehensive written financial plan each year, it's important to visit with your planner annually to discuss any changes in your life that would affect your plan. At this time, your planner will discuss with you any changes in the economy or tax law that would warrant modification of your existing plan and investments.

Conclusion: Maximizing the relationship with your planner.

Finding the right planner is well worth the investment of your time and money. To maximize the relationship, make sure that you're communicating effectively with each other. Just as when you work with other professional advisers, if you and your planner are on the same wavelength, you'll be able to achieve your goals more easily.

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