



Step Carefully: You and Your Adviser May Be Entering a Lifelong Relationship

Selecting a Financial Planner

by Alexandra Armstrong, CFP

This is the second in a two-part series.

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. Financial planning is a life-long 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, this person will know more about you than most people do — even 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 them if they've worked with or know of a financial planner who has helped people who are similar to you achieve their financial goals.

Another source is 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, look at their websites, which will provide you with general information about the firm and the biographies for the advisers.

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.

Otherwise, the planner would be regulated by the state where the office is located.

This first 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. Remember, just as you are choosing someone for a lifetime of planning, your adviser is choosing to work with you for a lifetime.

At our firm, we ask you to complete and return a

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financial questionnaire before the meeting. This way, we have a chance to review your situation before you arrive.

Some people are reluctant to provide all that personal information before the initial meeting, and that's fine, but it makes the initial meeting much less productive.

After you review the preliminary material on the firms, you should ask the following questions.

What Financial Planning Credentials Do You Have?

A certified financial planner (CFP) practitioner 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.

To find a CFP in your area, visit

www.letsmakeaplan.org

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 awarded by 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 of 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 focus on working with a certain type of client — doctor, corporate executive, teacher, business owner, widow, retiree — and may not 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.

Regardless of the compensation method the planner uses, 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. Others may

charge a flat retainer. Currently the trend in the industry today is to charge fees on assets managed.

Whichever method the planner uses, it should be made clear to you what and how you'll be charged for financial planning advice as well as for investment advice. You should ask for an estimate of what your financial plan will cost. Just as when you work with your accountant, the better organized your financial information is, the less time it will 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 an initial deposit is made.

Will You Be Handling Me Personally or Will I Be Working With Others in Your Firm?

Just like a law firm, it would be normal for a senior planner 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 planner takes primary responsibility for supervising and implementing your financial plan. If more than one person will be involved in the financial planning process, make sure you meet the other people involved.

What's the Next Step?

After you have met with the planner, you'll decide whether you want to work with the planner on an ongoing basis. Once you make your selection, typically the planner will provide you with letter of engagement and a written contract that will outline what the planner will do and what you need to provide.

Planners regulated by the SEC will provide a Form ADV Part 2B, which describes the work experience of the principals in the firm, as

Continued on p. 47





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