



# How to Choose a Financial Planner

Financial planning isn't just for the wealthy. Having a financial plan increases the odds that you'll reach your long-term financial goals, because you have taken the time to set targets and establish a realistic plan to reach them.

Depending on your background and goals, you may be able to do this yourself. But you may be at a new juncture in life. Perhaps you've been able to handle your investment strategy just fine, but now you're about to retire, and you wonder how much you can safely withdraw from your investments each year or where you should be investing your money differently. If you don't have the time or expertise to tackle these tasks yourself, an objective third party may be able to help you

Finding the advisor who best meets your financial needs is an important education process in itself. Your choices are many, including Registered Investment Advisors (RIAs), stockbrokers, representatives from financial institutions, financial planners, insurance agents, accountants, and attorneys. Some advisors offer a combination of skills: a financial planner who is also a stockbroker, a CPA who is licensed to provide investment advice. Some firms offer a team of investment and other financial advisors. Financial planners (also called financial advisors or financial consultants) generally look at your overall financial situation and design a complete strategy to help you meet your financial goals. Some may specialize in a specific type of financial planning, such as investment, estate and trust planning, or retirement planning. Others may look at the whole picture, not only providing investment advice but also offering advice on insurance coverage, long-term care needs, and tax, retirement, and estate planning.

There are no minimum licensing or educational requirements that must be met in order to call oneself a "financial planner," so make sure that the person you trust with your money is qualified to provide good financial service. Financial planners can earn designations by completing accredited courses of study. Two of the most common are Certified Financial Planner (CFP) awarded by the Certified Financial Planner Board of Standards, Inc., and the Chartered Financial Consultant (ChFC) awarded by the American College of Bryn Mawr in Pennsylvania.

For a list of different credentials, see the box below.

Here are some other steps to help you find the right person for you.

**Review your financial situation.** First, gather your financial records and review your personal and financial situation, considering both what you want to accomplish and the kind of help you need. This step will help narrow your search. If you're not sure what you need, you may want someone to help you get a picture of your spending patterns, assets, insurance, income, and short- and long-term goals first.

**Develop a list of prospects and make preliminary contact.**

Once you've established what you're looking for, you'll need to develop a list of prospects to contact. You may get recommendations from friends, relatives, work colleagues, other financial professionals, such as your accountant, or you can

request a referral from a financial planning organization.

After you've made a list of prospects whose services meet your needs, call them with preliminary questions that provide information on their credentials, specialties, and what their income and investment requirements are. Ask each prospect to send information to you.

**Gather information.** If you choose an investment advisor, the state of Wisconsin requires them to register either with the federal Securities and Exchange Commissions ([www.sec.gov](http://www.sec.gov)) or with the Wisconsin Department of Financial Institutions ([www.wdfi.org](http://www.wdfi.org)). Ask for and read both parts of the advisor's "Form ADV," which details the advisor's education and possible complaints as well as his or her fees, services, and strategies. You may view this form online at the Investment Advisors Public Disclosure web site ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)). You may also get copies of the Form ADV directly from the investment advisor or from the SEC or WDFI.

**Schedule and conduct interviews.** After asking prospects questions and gathering information, schedule and prepare for personal interviews with at least three or four planners

**What do the letters mean?**

- AFC - Accredited Financial Counselor
- CFP - Certified Financial Planner
- CPA - Certified Public Account
- CFA - Chartered Financial Analyst
- ChFC - Chartered Financial Consultant
- CLU - Chartered Life Underwriter
- PFS - Personal Financial Specialist
- RIA - Registered Investment Advisor
- RR - Registered Representative (Stockbroker)

that seem to match your interests. Most planners will offer initial half-hour- to hour-long interviews for free but make sure to verify this when you schedule the appointment. Also, check to make sure the person you'll be meeting with is the one who will be your advisor. For couples, each partner should feel comfortable with the selected advisor so both partners should go to the interview.

**Ask questions.** Bring a list of questions or issues you would like addressed with you to the interviews. As well as inquiring about investment experience, professional background, and education, you'll want to ask what strategies or principles the planner uses to develop financial recommendations. Find out what you can expect the planner to do for you – you are interviewing them as much as they are you. You can also request a copy of a typical financial plan and the advisor's ADV, if you haven't already gotten it.

**Bring along financial documents.** Bring your information with you as the advisor you choose will need to assess your financial situation and need your financial documents anyways (if you provide it up front in writing, there'll be more time for you to ask the questions you'd like answered, too). You should bring: a rough outline of your monthly budget including an estimate of monthly expenses, recent tax returns, Social Security estimates, sources of present and future income, recent account statements for retirement plans, recent bank and brokerage statements for all accounts, a list of major assets and estimated market value, a recent statement from all open credit card accounts, and copy of the latest declarations page from auto, home/renter's, life and disability insurance.

**Know your cost.** You will need to find out how the planner is compensated, which services are covered, and how much you will pay. Some planners work for a fee, some work on commission, and some combine commission and fees. Some fees may be based on an hourly rate, others on a specific charge for a specific service, still others on a percentage of a client's income or asset base. Don't be fooled by misleading terms: "fee-based" is not the same as "fee-only" but indicates that the planner receives part of his or her

compensation from commissions. Be aware that while some fee-only planners do not sell financial products or get commissions, you may have to pay a fee to a broker when you purchase the investment the planner recommends. Be sure you understand the fee structure and know about situations where additional fees may be charged, for example if a lawyer must be consulted. You should expect to spend several hundred dollars per year for a basic financial plan.

**Check regulatory agencies.** If a planner receives compensation for providing specific advice involving securities, he or she must be registered. Find out about the disciplinary history of any brokerage firm or sales representative by calling 1-800-289-9999, a toll-free hot line operated by the National Association of Securities Dealers, Inc. (NASD). The NASD will provide information on disciplinary actions taken by securities regulators and criminal authorities.

### Helpful Websites

#### Financial Planning Association

[www.plannersearch.org](http://www.plannersearch.org)

#### Certified Financial Planner Board of Standards

[www.cfpboard.org](http://www.cfpboard.org)

#### Investor Protection Trust

[www.investorprotection.org](http://www.investorprotection.org)

#### Morningstar

[www.morningstar.com](http://www.morningstar.com)

#### The Motley Fool

[www.fool.com](http://www.fool.com)

#### National Endowment for Financial Education

[www.nefe.org](http://www.nefe.org)

#### Securities and Exchange Commission

[www.sec.gov](http://www.sec.gov)

#### Wisconsin Department of Financial Institutions

[www.wdfi.org](http://www.wdfi.org)

**Make a choice.** Evaluate and reflect on each interview. Check the performance record of the firms and planners you are considering. Get several references from each prospect of current and former clients - especially of clients with goals similar to your own, and take the time to check them. Do not rush. It's important to select the planner who best meets your needs and with whom you feel comfortable. When you initiate the formal relationship, be sure to discuss the scope of the plan and have mutually-agreed-upon expectations of the outcome. And get it in writing – you should receive a letter of engagement, which lays out the planner's responsibilities and expectations, and yours as well. Always read the entire document before signing it. If you need to, take it home with you to read and make notes of items that need clarification. Ask questions about everything you don't understand. Remember, you need to educate yourself and be involved in the financial planning process!

**Implement your plan.** The best financial plan in the world is useless if you don't implement it. A planner may help you plot the course, but you're in charge.

