

## How to choose a financial planner

**F**inancial 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.

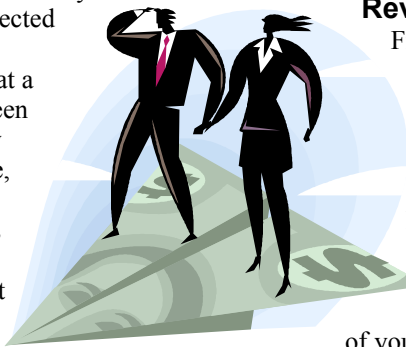
Depending on your background and goals, you may be able to do this yourself. But in these financially unsettled times, many formerly self-directed investors are feeling the need for some professional guidance. Or you may be at a new juncture in life. Perhaps you've been able to handle your investment 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 for the safest, yet highest return. If you don't have the time or expertise to tackle these tasks yourself, an objective third party can help you cut through your confusion and procrastination. As the saying goes, advice that makes you money – or saves you money – costs you nothing.

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.

Anyone can call him- or herself a financial planner. There are no minimum licensing or educational requirements that must be met in order to put that title after your name. Make sure that the person you trust with your money is qualified to provide good financial service. Look for credentials and know what they mean. Financial planners can earn these 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. in Denver, Colorado,

and the Chartered Financial Consultant (ChFC) awarded by the American College of Bryn Mawr in Pennsylvania. See the box for a list of common acronyms.

The person you hire should not just be competent, but also someone you can trust. Here are some steps to help you find the right person for you.



### Review your financial situation.

First of all, gather your financial records and review your personal and financial situation. Take some time to think about what you want to accomplish and decide what kind of help you need. Figuring out the kind of advisor you want will help narrow your search and determine how much you pay. If you have no idea what you need, perhaps your first step is to have someone help you get a picture

of your spending patterns, assets, insurance, income, and short- and long-term goals.

**Develop a list.** Once you've established what you're looking for, you can begin your search. You'll need to develop a list of prospects. You may get recommendations from friends, relatives, or work colleagues, or from other financial professionals, such as your accountant. You can request a referral from a financial planning organization – many have listings on the Internet of affiliated planners in your area – or just look in the yellow pages. Comprehensive advisor services are available from three TSA Program vendors: American United Life, American Express Financial Advisors, and Lincoln Financial Advisors. Go to our web site at [www.uwsa.edu/hr/benefits/retsav/tsa.htm](http://www.uwsa.edu/hr/benefits/retsav/tsa.htm) for contact information.

**Make preliminary calls.** When you have chosen several candidates whose services meet your needs, call them with a few preliminary questions. Find out their credentials and specialties. Ask what their income and investment requirements are. Ask to have information sent to you.

**Gather information.** Investment advisors in Wisconsin are required to register either with the federal Securities and Exchange Commission ([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 Advisor Public Disclosure web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Currently only forms for investment advisor firms are available, but there are plans to expand the database to individuals. You may also get copies of the Form ADV directly from the investment advisor or from the SEC or WDFI.

### What do the letters mean?

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

**Schedule and conduct interviews.** Next, schedule and prepare for personal interviews with at least three or four planners. These initial half-hour- to hour-long interviews are often free – make sure to verify this when you schedule your appointment. Also, check to make sure the person you’ll be meeting with is the one who will be your advisor. For couples, both partners should go to the interview. Each partner should feel comfortable with the advisor selected. Remember, statistically women can be expected to outlive their male counterparts.

**Ask good questions.** Bring a checklist of questions or issues you would like addressed with you to the interviews. You are interviewing the advisor for a job – and the advisor is interviewing you. 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. Request a copy of a typical financial plan. If you haven’t gotten it already, ask for the advisor’s ADV. Ask yourself: Are you comfortable discussing your financial situation with this individual?

**Get brochures to help.** Many useful brochures exist to help you through this interview process, for example:

- **10 Questions to Ask When Choosing a Financial Planner** ( at [www.cfpboard.org](http://www.cfpboard.org))
- **When and How to Choose a Financial Planner** (For a copy write or call the National Endowment for Financial Education, 5299 DTC Boulevard, Suite 1300, Englewood, CO 80111, 303-741-6333 [www.nefe.org](http://www.nefe.org)).
- **Investment Basics**, pages 29-34, available at [UW-Extension extremist.uwex.edu/ces/pubs/pdf/B3683.PDF](http://UW-Extension.extremist.uwex.edu/ces/pubs/pdf/B3683.PDF), or
- **The Scorecard: Finding a Financial Adviser Who’s Right for You** from the Forum for Investor Advice, 1-800-200-1819 or [www.investoradvice.org](http://www.investoradvice.org).

**Bring along financial documents.**

In the initial meeting the advisor will want to get a picture of your financial situation. Speed this process along by bringing the information with you. The advisor you choose will need this documentation anyway, and if you provide it up front in writing, there’ll be more time for you to ask the questions you’d like answered. 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 a copy of the latest declarations page from auto, home/renter’s, life, and disability insurance.

**Know your cost.** It is a fact of life that financial advisors need to be paid. 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. You are responsible for finding out how the planner is compensated and what you are paying for. 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. Typically, the rate for financial planners is at least \$100 per hour.

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.

**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. Remember you need to educate yourself and be involved in the financial planning process.

Always read the entire document before signing it. Take it home with you to read, if you need to. Make notes of items that need clarification. Ask questions about everything you don’t understand.

**Implement your plan.** Finally, remember that you must do your part. 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 are in charge. The decisions and the responsibility rest with you.

*Thanks to Linda Boelter, UW-Extension family financial management specialist and former member of the TSA Review Committee, for her help with this article.*

If you need this material interpreted or in a different form, or if you need assistance using this service, please contact us.

**Web sites to help you**

- Alliance for Investor Education  
[www.investoreducation.org](http://www.investoreducation.org)
- American Savings Education Council  
[www.asec.org](http://www.asec.org)
- Certified Financial Planner Board of Standards  
[www.cfpboard.org](http://www.cfpboard.org)
- Department of Labor  
[www.dol.gov/pwba/public/pubs/savfacts.htm](http://www.dol.gov/pwba/public/pubs/savfacts.htm)
- Catalog of US Government Publications Related to Finances  
[www.pueblo.gsa.gov/money.htm](http://www.pueblo.gsa.gov/money.htm)
- The Financial Planning Association  
[www.fpanet.org](http://www.fpanet.org)
- Forum for Investor Advice  
[www.investoradvice.org](http://www.investoradvice.org)
- Investing for Your Future  
[www.investing.rutgers.edu](http://www.investing.rutgers.edu)
- Investment Company Institute  
[www.ici.org](http://www.ici.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)
- Society of Financial Service Professionals  
[www.financialpro.org](http://www.financialpro.org)
- Wisconsin Department of Financial Institutions  
[www.wdfi.org](http://www.wdfi.org)



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