



## Fact Sheet: **Choosing a Financial Planner**

If you have been making financial plans – for yourself or with an older relative – you may have run across the term “financial planner” and wondered if you should talk with one. A financial planner helps clients make choices about what to do with money and other assets. Most financial planners are experts in a certain area, like insurance, estate planning, or accounting, so it’s important to find a planner whose expertise matches your needs. As your goal is to manage your money more effectively, it’s important to understand what it will cost –both directly, in fees, and indirectly, in commissions on money transactions – before you begin working with a financial planner.

### **Who Needs a Financial Planner?**

Almost everyone needs some sort of financial planning. Yet many people find it all too easy to put off planning for years, even up to retirement when they suddenly find there isn’t enough money. You might know your financial goals, like buying a new home or paying for your child’s college education, but you may not know how to make that happen. A financial planner can help you get started. If your finances are complicated, you may need a financial planner to advise you not only in setting your financial goals, but also in helping you put your plan into action.

### **What Does a Planner Do?**

A planner will work with you to

examine your current financial situation and suggest a plan to help you meet your financial goals. The planner might meet with you two or three times to gather information, help you define your goals, and provide written recommendations on investment strategies. A planner will take you through several steps to help:

- **Clarify your financial situation.** A financial planner will help you look carefully at your current finances. To do this, he/she will probably help you list your assets (what you have) and liabilities (what you owe). He/she will most likely ask you for your tax returns, securities records, insurance policies, and other papers to help you determine your net worth (what you have minus what you owe). He/she will also help you get a picture of your financial health by looking at your income and how it compares to your expenses.
- **Identify goals.** Next, the planner will want to understand your personal and financial goals. She will ask whether you want to save for a special vacation, help support aging parents, reduce your debt, plan for a child’s education, or save and invest for retirement.

- **Identify Roadblocks.** After understanding your goals, the planner will work with you to figure out what roadblocks might keep you from meeting them. These might include investments that don't provide sufficient yield, lack of insurance to protect your home or income, or spending habits that are pushing you into debt.
- **Create the plan.** The advisor will create a written plan outlining how you can meet your goals. The plan includes types of investments and insurance products, suggestions for budgeting, and a time- frame for achieving short- and long-term goals.
- **Implement the plan.** You may implement the plan yourself or request the help of the planner in choosing and purchasing appropriate investment and insurance products.
- **Review progress.** It's a good idea to meet with your planner each year to review your progress towards your goals and revise the plan accordingly. You should also talk with your planner whenever your personal or economic situation changes. Examples include marriage, divorce, children and health changes, an inheritance, unanticipated major changes in income or expenses, or a change in financial goals.

## The Financial Plan

The financial plan you and your planner create will be your guide for a number of years in purchasing investment and

insurance products and in making decisions that affect the amount of tax you owe. Depending on your needs, the plan might include recommendations for:

- Managing your budget and cash flow
- Planning for taxes
- Funding private school or college education
- Managing your insurance
- Planning your retirement
- Planning your estate
- Planning your investments

In addition to a written financial plan, an advisor may offer other services such as income tax preparation, investment management, and insurance sales.

## How Do Financial Planners Set Their Fees?

Financial planners generally charge one-time set fees or hourly fees. Some work on commission or charge a combination of fee and commission. Make sure you understand how a planner will earn his fee before you agree to work with him/her. The fee arrangement affects what you'll pay, of course, but even important it can affect the quality and reliability of the advice you'll be given.

- *Hourly rates* can range from \$50-\$400, depending on the specific planner and the area of the country in which you live.
- *One-time set up fees* that cover the entire cost of a financial plan can range from \$500 to \$10,000, depending on the amount of work that is required.

- *Commissions* are fees earned from the sale of certain financial products. For example, if a planner works with you to buy or sell stocks or other investments, the fee would be a percentage of the investment value.

Always discuss fees ahead of time with a financial advisor and obtain a fee agreement in writing. If your advisor plans to take a commission, ask what range of investments he/she provides and what financial organization he/she represents. You will want to avoid being directed towards a particular investment plan only because the planner receives a commission from the Investment Company. A financial planner who is paid by the hour or who receives a fee for managing your assets and does not earn a commission for selling particular products is more likely to give you independent and unbiased advice.

## How to Choose a Planner

The government does not regulate the field of financial planning. This means that anyone, with or without experience, can call himself or herself a financial planner. If you decide to hire a financial planner, you will trust that person with what could be a lifetime of savings. So, it is a good idea to take the time to screen candidates carefully to be sure that the person you hire is knowledgeable, competent, and reliable.

Before interviewing any advisors, be sure you are clear about what services you need. You might want to focus on one aspect of your financial future, such as retirement planning, or may need a comprehensive package that includes all aspects of your financial future.

To get started, you will need to collect the names of advisors in your area. You might ask family members and friends

for recommendations. You can also ask professionals you work with – lawyers, accountants, or bankers – to recommend a planner.

## Interviewing a Financial Planner by Phone

To get an overview of a prospective planner's services, ask a few basic questions by phone. If an advisor seems right, you can schedule an in-person meeting to ask additional questions. You might ask the following questions during a phone interview:

- *How do you charge for your services?* If you plan to focus on just one part of your finances, such as college savings, you should look into a planner who will charge an hourly rate. A planner who is also an accountant or lawyer is likely to charge a higher rate. Be sure to find out exactly what will be included in the fee.
- *Do you work for yourself or are you part of a firm?* If you choose a planner who is part of a financial firm, you may also deal with other staff members. A firm is likely to have resources and expertise to complete your plan quickly. Many planners work on their own or with one or two associates. If you are looking for a long-term relationship, ask what will happen if your planner leaves the firm.
- *What is your experience? What areas do you specialize in?* Many planners have backgrounds in business and finance. It's a good idea to choose someone with five or ten years' experience who has worked with clients with needs

similar to your own. You might ask the planner to send a copy of their Form ADV, which is used to register with the Security and Exchange Commission (SEC). The form includes information that might not be included in the advisor's marketing materials – such as income sources, relationship with other companies, education and employment history, types of securities recommended, and a fee schedule.

## Meeting a Planner

After talking to prospective planners by phone, you may want to choose two or more to meet in person. Review any materials you received by mail, as well as the planner's location, fees, background, and experience. When scheduling a meeting, ask what information he/she might need from you, and ask him/her to provide names of references for you when you meet. Always check references. Most advisors will meet without charge for up to an hour to explain their services. You should be prepared to answer questions the planner may ask during that time.

When you meet with the planner, consider asking the following questions:

- *What will the planning process involve?* Find out how many times you will meet, what information you will be expected to provide, and when your final plan will be completed. If the advisor is part of a firm, ask who else you will work with and how you can best use the firm's expertise.
- *What will you include in the financial plan? Can I implement*

*the recommendations on my own?* The written plan is the final document you will take away. You will want it to be as complete and specific as possible, so you can use it as a guide in making investments or insurance choices. You may ask to see a sample plan and see if its recommendations are clear enough for you to implement yourself. Many advisors offer investment management services at an additional cost. Be wary of an advisor who only recommends investments on which he earns commission.

- *Do you carry liability insurance?* As you would for any professional who handles your property, you will want a planner with sufficient insurance protection in case a major mistake affects your finances. If the planner doesn't have liability insurance and assures you that it is not necessary, move on to another planner.
- *With what professionals do you have working relationships?* While working on the plan, you and the planner may find that you need a will, power of attorney, or another legal document. Or perhaps you have a complex tax situation that requires an accountant's expertise. You may want your advisor to recommend attorneys, accountants, or other professionals.
- *Can you give me references of clients who have had financial planning needs similar to mine?* You will want an advisor who deals with people with needs

similar to your own. Ask for references and call each one. Ask if the planning was helpful, what it was like to work with the adviser, and whether the person would use the financial adviser again.

When you interview planners, you may want to use the question sheet at the end of the article to make sure you gather the same information from each planner. You can use it to guide your in-person interview, or you can ask planners you are considering to fill out the sheet in writing.

### **Making the Decision**

Compare the results of your meetings and don't hesitate to call back with more questions. Look for someone who speaks clearly without using jargon, is good with numbers, and quickly understands your goals and financial situation. You will want to choose someone you'll be comfortable working with for many years in shaping your financial future.

As a final check, after you have interviewed the planners and checked their references, call your state SEC to find out if any complaints have been made against the planners you are considering. If you have any doubts or questions about a planner, call your local Better Business Bureau or your state attorney general's office.

### **Financial Planning Resources**

Each of these organizations offers certification to planners who have met certain standards for education and experience. All provide referrals to affiliated financial planners in your area.

**Financial Planning Association**  
[www.plannersearch.org](http://www.plannersearch.org)

**CFP Board**  
[www.cfp.net](http://www.cfp.net)

**Society of Financial Services Professionals**  
[www.societyoffsp.org](http://www.societyoffsp.org)

**National Association of Personal Financial Advisors (NAPFA)**  
[www.napfa.org](http://www.napfa.org)

### **Other Resources**

**Southern Caregiver Resource Center**  
3675 Ruffin Road, Suite 230  
San Diego, CA 92123  
(858) 268-4432 | (800) 827-1008 (in CA)  
E-mail: [scrc@caregivercenter.org](mailto:scrc@caregivercenter.org)  
Website: [www.caregivercenter.org](http://www.caregivercenter.org)

Southern Caregiver Resource Center offers free support services to caregivers of adults with chronic and disabling conditions in San Diego and Imperial counties. Services include information and referral, needs assessments, care planning, family consultation, case management, individual counseling, legal and financial consultation, respite care, education and training, and support groups.

# Questions to Ask When Interviewing a Financial Planner

## Background and credentials

- What is your educational background? What degrees have you earned in business or financial planning?

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- Are you enrolled in any continuing education programs?

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- How long have you been offering financial planning services?

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- Do you belong to an organization of financial planners?

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- Have you ever been cited by that organization or any other professional organization or regulatory body for disciplinary reasons?

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## Compensation

- How will you be paid for your services?

- fee only
- set fee
- hourly rate
- commission only
- fee and commission

- How do you calculate your compensation? What is your hourly rate? Your commission percentage? Are your fees capped? (Note: The Securities and Exchange Commission (SEC) requires that this information be disclosed.)

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- If you earn commissions, approximately what portion of your firm's commission income comes from:

_____ % insurance products?	_____ % stocks and bonds?
_____ % annuities?	_____ % coins, tangibles, collectibles?
_____ % mutual funds?	_____ % other?
_____ % limited partnerships?	

## Services

- What will your financial planning service include?

_____ a review of my goals	_____ tax planning
_____ estate planning	_____ retirement planning
_____ cash management and budget advice	_____ investment review and planning
_____ advice on insurance needs	_____ other

- Will you give me a written analysis of my financial situation and your recommendations?

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- Will the analysis be tailored to my personal needs and goals?

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- Do you recommend specific investments?

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- Do you offer ongoing financial advice, including advice on non-investment financial issues?

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- Do you take possession of, or have access to, your customers' assets? (A planner may ask to have power of attorney so that he/she can make decisions about your investments. It may be better not to agree to this, or to limit that power, so that you are consulted on every decision.)

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## Regulatory Compliance

The SEC requires that individuals or firms providing financial planning services to the public be registered with the SEC.

- Are you or your firm registered as an investment advisor with the U.S. SEC?

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- If no, please explain why not. The SEC does not require registrations for financial planners who:

\_\_\_\_\_ have fewer than 15 clients

\_\_\_\_\_ do not provide generic or specific advice on securities

\_\_\_\_\_ do not provide financial planning advice for a fee but only as a registered representative or broker/dealer.

- Are you or is your firm registered with your state securities office?

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- If no, please explain:

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Please provide a copy of your registration with the SEC (ADV Part II) as required by the SEC under the Investment Advisors Act of 1940.