

How a Financial Planner Can Help You

**... and How to
Choose the
Right One**



FPA

THE FINANCIAL PLANNING ASSOCIATION

The Financial Planning Association® (FPA®) connects those who need, support, and deliver financial planning. We believe that everyone is entitled to objective advice from a competent, ethical financial planner to make smart financial decisions. FPA members demonstrate and support a professional commitment to education and a client-centered financial planning process.

To locate a CFP® professional in your area visit www.plannersearch.org.

Making your financial dreams come true.

Like most people, you have hopes and dreams and life goals for yourself and your family. These might include buying a home or business...saving for college education for your children...taking a dream vacation...reducing taxes...retiring comfortably. Financial planning is the process of wisely managing your finances so that you can achieve your dreams and goals—while at the same time helping you negotiate the financial barriers that inevitably arise in every stage of life.

Managing your personal finances is ultimately your responsibility. However, you don't have to do it alone. A qualified financial planner, such as a CERTIFIED FINANCIAL PLANNER™ professional, can help you make decisions that make the most of your financial resources.

Financial planning can help you.

- Set realistic financial and personal goals
- Assess your current financial health by examining your assets, liabilities, income, insurance, taxes, investments and estate plan
- Develop a realistic, comprehensive plan to meet your financial goals by addressing financial weaknesses and building on financial strengths
- Put your plan into action and monitor its progress
- Stay on track to meet changing goals...changing personal circumstances...changing stages of your life...changing products, markets and tax laws

Do you need the services of a financial planner?

How do you know if you could benefit from the services of a financial planner? You may not have the expertise, the time or the desire to actively plan and manage certain financial aspects of your life. You may want help getting started. You may benefit from an objective, third-party perspective on what are often emotional, difficult decisions. And in today's hectic world, it can be beneficial to have a financial planning expert help to make sure you stay focused and follow through with your financial plans.

Events that might prompt you to seek the services of a planner

Often a specific event or need will trigger the desire for professional financial planning guidance. These might include:

- Making sure your money will last during retirement or rolling over a retirement plan
- Handling the inheritance of a large sum of money or other unexpected financial windfall
- Preparing for a marriage or divorce
- Planning for the birth or adoption of a child
- Facing a financial crisis such as a serious illness, layoff or natural disaster
- Caring for aging parents or a disabled child
- Coping financially with the death of a spouse or close family member
- Funding education
- Buying, selling or passing on a family business

Aren't all financial planners the same?

NO! Be wary of people who call themselves financial planners but who appear more interested in pushing specific financial products at the expense of your real needs and goals. A genuine financial planner can help you address a variety of financial needs, not just investments, insurance, or taxes. Moreover, not every financial planner is a CERTIFIED FINANCIAL PLANNER professional. CFP professionals have an ethical obligation to act in your interest.

Aren't financial planners regulated?

People who call themselves financial planners may not currently be regulated as financial planners by either state or federal government. Many financial planners are regulated by states through subsets of financial planning, such as insurance and taxes, but not for their overall financial planning activities.

The Securities and Exchange Commission (SEC) and most states have requirements for people who give investment advice, which would include many financial planners. FPA encourages you to ask whether the planner you are considering is a registered investment adviser or is an agent of a company that is registered.

CFP practitioners are certified and regulated by the Certified Financial Planner Board of Standards, Inc. (CFP Board). By virtue of their certification, granted by CFP Board, CFP professionals are held accountable to CFP Board's code of ethics for their financial planning activities.

Why a CFP professional?

CFP professionals are dedicated to using the financial planning process to serve the financial needs of individuals, families and businesses. Most CFP professionals have earned a four-year college degree in finance-related areas, and have completed a course of study in financial planning approved by the CFP Board.

To earn the prestigious CFP certification and remain certified as a CFP professional, individuals must meet four main requirements.

Examination—They must successfully complete the CFP Board's comprehensive certification examination, which tests the individual's knowledge on various key aspects of financial planning.

Experience—They must acquire three years of financial planning-related experience before receiving the right to use the CFP marks.

Ethics—They must voluntarily ascribe to the CFP Board's code of ethics and additional requirements as mandated. CFP practitioners who violate the code can be disciplined, including the permanent loss of the right to use the CFP marks.

Education—They must complete 30 hours of continuing education every two years to stay current in financial planning knowledge, including ethics.

Compliance with these four all-important areas assures you that an individual who holds the CFP certification is well prepared and qualified to give you sound, professional advice.

As a result of its established recognition and credibility as a symbol of educational competence and continued commitment to financial planning excellence, FPA recommends the use of a CERTIFIED FINANCIAL PLANNER professional for your financial planning needs.

How should I start looking for a planner?

Ask for names from friends or business associates who may have used a financial planner. Attorneys, accountants, insurance agents, bankers and other financial specialists also can be good sources because planners often work with them to carry out a client's plan.

FPA can provide a list of CFP professionals in your area. Go to www.plannersearch.org or call our toll-free hotline at 800.647.6340.

Check with the SEC, appropriate state agencies, your local Better Business Bureau and the CFP Board at 888.CFP.MARK (237.6275) to determine if complaints have been filed against the planner you are considering.

How do I choose the right financial planner for me?

Choosing a financial planner is as important as choosing a doctor or lawyer. Working with a financial planner is a very personal relationship. In addition to competency, a financial planner should have integrity, trust and a commitment to ethical behavior and high professional standards. You want a planner who will put your needs and interests first.

Also, many planners specialize in working with certain types of clients, such as small-business owners, executives or retirees. Many have minimum income and asset requirements. Some specialize in certain areas of planning such as retirement, divorce or asset management. This is why we recommend that you interview at least three planners in person to find the right one to serve your needs.

What information should I ask for?

First, request a written disclosure document from the planner. This will either be what's called a Form ADV or an equivalent brochure. This should answer many of your questions. You may then want to follow up with a personal interview, which many planners will do for free.

Some of the basic information you want to gather

- What financial planning and other financial designations the planner holds
- Educational background and work experience
- Licenses to sell certain financial products, such as life insurance or securities
- Services the planner provides
- The planner's basic approach to financial planning
- Areas of specialization
- Types of clients the planner serves, and any minimum net worth or income requirements
- Professional affiliations, including membership in the Financial Planning Association

- How the planner prepares a plan
- How the planner might address your particular needs
- Whether the planner or others will implement recommendations from the plan
- Business relationships the planner has that might present a conflict of interest
- How the planner is paid for services, and the typical charges

A face-to-face interview also should give you a personal sense about the planner. Does the person seem forthright in their answers? Do you have a sense of trust and rapport? Is the person focused on your needs, not selling products?

Why is 'full disclosure' vital as I pick a planner?

At the heart of any working relationship with a financial planner is trust. Trust is built on two factors: the planner acting in your best interests, and full disclosure of the planner's background, business practices and other issues.

Full disclosure means the planner is forthright in providing answers about the planner's work experience, compensation, methods of planning and so on.

For example, what business relationships does the planner have? These might be relationships with companies whose products the planner sells, or referral fees the planner earns by referring you to certain professionals.

The financial planner also should disclose any disciplinary actions that may have been taken against the planner by various government regulatory agencies and professional associations. CFP Board (888.CFP.MARK) can confirm whether disciplinary action has been taken against a particular CFP professional. If you do not receive full disclosure from a financial planner, that is a sign you should take your financial planning needs elsewhere.

How do financial planners charge?

Financial planners can be paid in a variety of ways for their work, which are listed below. Some are paid by more than one method. Each method has its merits. Choosing the appropriate method depends on your individual situation. FPA believes that the planner's competence and ethical standards should be the primary consideration in your selection process. However, before entering into a relationship with a planner, you should have a clear understanding of how he or she will be compensated. A particular compensation arrangement may best suit your needs.

Methods of compensation

There are several commonly accepted methods:

Fee-only: The planner is compensated entirely from fees for purposes of consultation, plan development or investment management. These fees may be charged on an hourly or project basis depending on your needs, or on a percentage of assets under management.

Commission-only: There is no charge for the planner's advice or preparation of a financial plan. Compensation is received solely

from the sale of financial products you agree to purchase in order to implement financial planning recommendations.

Combination Fee/Commission: A fee is charged for consultation, advice and financial plan preparation on an hourly, project or percentage basis. In addition, the planner may receive commissions from the sale of recommended products used to implement your plan.

Fee-offset: Commissions from the sale of financial products are offset against fees charged for the planning process.

Salary: Some planners work on a salary and bonus basis for financial services firms.

In all of the above categories of compensation, you should request information on any real or potential conflicts of interest. In addition to commissions received from any financial product sales, you should ask whether there are outside incentives or bonuses to be gained by the planner for certain recommendations.

How can I contact a CFP professional?

To find a CFP professional in your area, call FPA at 800.647.6340 or visit www.plannersearch.org.

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