



How to Choose a Financial Planner

Your financial life can be more complicated than you realize. A financial planner can help you make the right choices. You may be:

- financing your children's education costs
- buying a home
- paying off debt
- planning for retirement
- protecting your assets through insurance
- getting married or divorced
- having a child
- starting a new job
- receiving a financial windfall

There are several places where you can find financial advice. You can get “free” advice from your bank, broker or insurance company. They may be intimately acquainted with your financial situation and may be a good source of advice but they have narrow expertise and a vested interest in selling you their products, since that is how they earn their commissions. That is not to say that they cannot offer good advice, but you need to be wary. One may make sure your assets are protected, another may help you plan to have adequate retirement funds, and a third advisor plan for paying for your children’s college. An independent financial planner can do all of this and help you with your estate and tax planning and in anticipating life events at the same time. Some independent advisors can also manage your assets.

Independent financial planners usually charge an hourly rate or a flat fee for a consultation or a percentage of assets for asset management engagements. None of these arrangements are completely free from conflict of interest considerations, but when you hire an independent financial advisor you know they are working for you and not an institution.

An important aspect of choosing a financial planner is their performance. Since there is no rating agency for the effectiveness of financial advisors, you have to use some other measuring guide. One of the best is referrals. Ask someone you know to recommend advisors and interview as many as it takes for you to feel comfortable. All advisors have their own specialties and areas of interest, so you want to find someone with a good fit. You should also check with the agencies listed below to see if they have been professionally disciplined. And in the case of an investment manager, you also want to know their track record.

There are various organizations offering different kinds of accreditation for financial planners.

Certified Financial Planner

- Certified by the CFP Board of Standards in Washington, DC.
- Required to graduate from a CFP accredited college program or possess one of a variety of professional licenses, such as CPA, attorney or an advanced degree in finance or a related field
- Pass an exam administered by the CFP Board of Standards
- Have 3 years of related advisory experience
- Must subscribe to the CFP Board code of ethics

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Registered Financial Advisor

- Registered with the National Association of Personal Financial Advisors
- This credential is given upon application only to Certified Financial Planners who must not be affiliated with any financial institution or securities firm, and only charge fees as opposed to commissions

Personal Financial Specialist

- A CPA who is a member of the Personal Financial Planning section of the American Institute of Certified Public Accountants
- A credential that CPA's can earn in addition to their accounting certification
- It is only available to members of the AICPA and certifies that they have passed an exam on financial planning, have 3,000 hours of financial planning experience, and comply with continuing education requirements

Registered Investment Advisor (RIA)

- Is not a personal financial planner per se, but is an employee or a company that advises on securities
- Registered with the Securities Exchange Commission or a state equivalent
- An individual who is an RIA is usually a representative of a financial institution or brokerage firm, and is only qualified to advise on investments, not on other financial matters such as taxes, estate planning and risk management

Helpful websites

Certified Financial Planner Board of Standards

<http://www.cfp.net>

National Association of Personal Financial Advisors

<http://www.napfa.org>

Securities Exchange Commission

<http://www.sec.gov/investor/brokers.htm>