

# Ten questions to ask when picking a financial planner

by Mark Miller

The financial planning profession is growing explosively as millions of aging baby boomers confront the challenges of planning for retirement security. Readers of this column have been writing to ask if they need a planner-and how to go about hiring one.

Retirement planning poses complex challenges-and investing wisely is just one part of the picture; you also need to understand the roles of Social Security, taxes, mortgages, insurance, debt, health care and longevity. You should learn all you can about these topics, but professional assistance with decision making and timing can make all the difference in helping you to get ahead for the long run. More often than not, a financial planner is worth the expense.

But how do you go about finding a knowledgeable, trustworthy advisor? Financial planners aren't regulated by state or federal government, so anyone can hang out a shingle and start peddling services.

It's critically important that you shop rigorously and ask the right questions. Here, then, are the top 10 questions to take along when you interview a financial planner:

**1. What are your credentials?** Planners can earn a wide range of professional designations from various private professional associations. I'm able to identify at least nine of them, each with a different meaning. Among the most common designations is Certified Financial Planner (CFP)-someone who has passed an exam and is earning a certain amount of continuing education credit on a regular basis. Some designations indicate a specialty in a particular area of investment, such as Chartered Mutual Fund Counselor (CMFC).

The key thing to know is that these designations are earned voluntarily; an advisor isn't required to have any of them in order to practice. When you interview planners, ask about their professional designations and don't be afraid to ask them to explain what they mean.

**2. How much experience do you have?** Always ask how many years a planner has been practicing. Find someone with at least five years' experience; if it's less than 10, ask about other experience that may be relevant to their planning expertise.

**3. How many other clients do you have?** A large number isn't necessarily better! If a planner works with too many clients, you may not have access when you need it. Find out whether you be working directly with the planner or with an assistant.

**4. How do you get paid?** Many financial planners charge an hourly or flat fee. Others charge a fee plus commission on the products they sell, and some earn product commission only. In addition, some planners charge an annual asset management fee ranging from 1 to 3 percent of your assets.

There's no consensus on which approach is best, although many experts dislike commission-based selling, arguing that planners who earn their living solely from commissions on the investment products they sell have a built-in potential conflict of interest.

"Find an experienced certified financial planner (CFP) who will do the planning on an hourly or project basis, with no requirement that the client have their investment assets with the planner," says Joel Larsen of Navigator Financial Advisers.

If you go the fee-only route, expect to pay an hourly rate of \$100 to \$250 per hour, or a flat fee. You'll go elsewhere to implement your planner's recommendations.

**5. Who do you really work for?** If you're interviewing commission-compensated advisors, determine whether they work for a single company or represent a larger, balanced range of products. You need to make sure the advisor has your best interests at heart, not an employer's.

**6. Have you ever been in trouble?** You want a planner with a spotless record. Ask planners if they have ever faced public discipline for any illegal or unethical professional actions. You can verify this yourself for free at Web sites such as the Financial Industry Regulatory Authority (FINRA), the National Association of Insurance Commissioners or the U.S. Securities & Exchange Commission. I've posted links to these watchdog pages below.

**7. What's your investment philosophy?** How does the planner approach investment risk and how will your portfolio will be adjusted as you age? Will you receive a written statement about the investment policies that will be used in managing your money? Will you be granting the planner authority to make investment decisions without your prior approval?

**8. What should I bring to our first meeting?** Look for a planner who asks you to bring all of your financial information to the first meeting. Time is a valuable commodity. It's imperative that both you and the planner make the most of what time

you have together. If you decide to work together, you'll be able to get started immediately.

**9. Can I trust you?** Do you feel comfortable with the person you're considering? Says Cynthia Meyers of Foothill Securities: "Does the planner keep his or her promises to you? Is this person consistently on time for your meetings? Does the planner meet your standards for a trustworthy person?"

**10. Do you understand me?** Look for a planner who wants to understand what's important to you. Says Laura Leavitt, a certified financial planner: "If the planner doesn't care to know about what's important to you, how can he or she give you advice that meets your goals?"

**Resources:** Here are several sites you can use to check on any disciplinary history of a financial planner:

FINRA Broker Check

(<http://www.finra.org/InvestorInformation/InvestorProtection/ChecktheBackgroundofYourInvest>)

U.S. Securities & Exchange Commission (<http://sec.gov/investor/brokers.htm>)

The Certified Financial Planner Board of Standards

(<http://www.cfp.net/learn/knowledgebase.asp?id=6>) maintains a robust site containing on information on how to select a planner.