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Choosing and Evaluating Financial Professionals

Wealth Management is more than just portfolio management. It encompasses a disciplined professional approach to growing, protecting, preserving, utilizing, and transferring your wealth, using a broad range of services and an experienced team of advisors.

Please feel free to contact me if you have any questions about this article and how it may pertain to your situation. You can also visit our website, www.selectportfolio.com, anytime to find other useful articles and information.

If you are within 10 years of retirement, let me help you understand how the retirement landscape has changed and how these changes can impact your current and future financial decisions.

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Choosing and Evaluating Financial Professionals

What is it?

Although you may personally handle many of your financial affairs, sometimes you may need the services of a financial professional. Financial professionals include financial planners, attorneys, securities brokers, and other specialists. Selecting the right financial professional means evaluating the services they can offer and their credentials, and finding someone whom you can rely on to give you good advice and/or service when you don't have the time or expertise to completely handle your financial affairs.

Choosing a financial planner

What a financial planner does

A financial planner is a professional advisor who can help you set financial goals and who can write and implement an objective and comprehensive plan to manage all aspects of your financial picture, including investing, retirement planning, estate planning, and protection planning. A financial planner can give you information and advice on a wide range of other topics as well. These are too numerous to mention but include managing your cash, obtaining credit, buying a home, and paying for a college education. If the planner doesn't have the specialized knowledge required to handle certain areas, such as tax planning or estate laws, he or she can coordinate a team of experts who can help you. Although he or she can help you with a single issue, a financial planner, unlike other financial advisors, looks at your finances as an interrelated whole and helps you plan accordingly.

What credentials to look for

When choosing a financial planner, you should be aware that some financial professionals who use this title are not truly qualified to give comprehensive financial planning advice. They may be trained in only one area, or they may be primarily salespeople marketing themselves as planners. Although some states heavily regulate planners, others do not. Because anyone can call himself or herself a financial planner without being educated or licensed in the area, you should choose a financial planner carefully. Make sure you understand what services the planner will provide you and what his or her qualifications are. In general, a financial planner will have one or more of the following credentials:

- Certified Financial Planner (CFP)--CFPs must have a college undergraduate degree, have three years of related experience, and have completed a course of study registered with and approved by the International Board of Standards and Practices of Certified Financial Planners. They must pass a two-day 10-hour exam that covers all aspects of financial planning. In addition, they must adhere to a professional code of ethics and fulfill 30 hours of continuing education every two years. Many also belong to the Financial Planning Association, a professional organization. If a planner says that he or she is a CFP licensee, ask to see the planner's CFP board license or call (888) CFP-MARK to check.

- Chartered Financial Consultant (ChFC) and Chartered Life Underwriter (CLU)--Some financial planners are members of the Society of Financial Services Professionals (formerly known as the American Society of CLU & ChFC), a professional association for life insurance agents. To receive either designation, planners must have three years of experience, complete a course of study through the American College in Bryn Mawr, Pennsylvania, and pass 10 two-hour exams. Certification is rigorous and prestigious, and planners earning these designations must adhere to certain ethical standards.

- Accredited Personal Financial Specialist (PFS)--The PFS designation is granted to CPAs who are members of the American Institute of CPAs, and it requires a certain number of hours of experience annually for three years. In addition, candidates must pass a one-day exam and must complete continuing education requirements.

- Registered Financial Planner (RFP)--This designation is awarded by the International Association of Registered Financial Planners (IARFP) to planners who have a college degree related to financial services and four years of experience in the financial planning area. They must also have life and health insurance licenses and a securities license, and they must complete continuing education courses and adhere to a code of ethics.

Many financial planners are also specialists in certain fields or can refer you to the type of specialist you need. Although you may need the help of a specialist in their area of expertise, you should not rely on them to provide general financial planning advice unless they are also qualified financial planners. Specialists include the following:

- Accountants--Accountants prepare financial statements and tax returns and give tax advice, something many financial planners may not do. Accountants are often Certified Public Accountants (CPAs) or Public Accountants (PAs). Accountants may also be Personal Financial Specialists (PFSs)

- Estate planners--Estate planners help you plan your estate and give advice on transferring and managing your assets before and after your death. If the estate planner is an attorney, he or she can give legal advice and prepare necessary legal documents. An estate planner may be an Accredited Estate Planner (AEP).

- Insurance agents--Insurance agents sell various insurance products, something financial planners can't do unless they are insurance agents licensed in the state in which they practice. Insurance agents often hold the Chartered Life Underwriter (CLU) designation.

- Investment advisors--Investment advisors give you advice about investments and help you plan a strategy to manage your investment funds. They are not primarily salespeople. In fact, they cannot sell securities without a license. They must be registered with either the Securities and Exchange Commission or a state securities agency. Financial planners may or may not be licensed to sell securities, but they are often Registered Investment Advisors (RIAs).

- Securities brokers--Securities brokers (stockbrokers) are primarily salespeople who buy and sell stocks, bonds, and mutual funds. They must be licensed by the state and be registered with a company that is a member of the Financial Industry Regulatory Authority (FINRA).

How to find a financial planner

Ask friends, relatives, business associates, your attorney, or other professionals who share your financial values to recommend a financial planner. If you can't get a personal recommendation, call the Financial Planning Association. Check your local telephone directory, or check their website at www.fpanet.org.

How a financial planner is compensated

You may pay your financial planner a fee to develop a financial plan--either an hourly rate or a flat fee--with no asset management or commissions required. If the planner is managing your assets, then his or her fee may be equivalent to a small percentage of your assets and/or income. Or your financial planner may earn his or her living by receiving commissions from products he or she sells to you. Some planners use a combination fee-and-commission structure whereby you pay a fee for development of a financial plan and the planner also receives a commission from selling you products. You should ask the planner you are considering about his or her fee structure and ask for an estimate of what it might cost to use his or her services.

> **Tip:** When calculating how much it will cost to use the services of a financial planner, consider fees, commissions, and related expenses such as transaction fees and management fees related to the products they recommend.

Interviewing and evaluating a financial planner

It's a good idea to interview more than one financial planner. Personality styles, financial planning philosophies, qualifications, and fee structures may vary widely. When interviewing a financial planner, start by asking the following questions:

- What are your qualifications and professional credentials? How long have you been in practice, and in what areas do you specialize? How many clients do you have? Are you a member of any professional associations?
- How would you describe your financial planning philosophy? How will you help me assess my goals? Will you give me a written plan? Sell me investment and/or insurance products?
- How are you compensated? Can you estimate how much using your services will cost me?
- Have you ever been disciplined or had any professional licenses or designations revoked or suspended?
- Do you foresee any conflicts of interest from working with me? Are you affiliated with any company whose products and services you might recommend to me? Do you plan on referring me to other professionals, or can you handle all my planning needs? If so, can you provide me with a list of names of these individuals?
- How do you keep yourself abreast of new developments in the field of financial planning?

Before deciding to work with a planner, thoroughly check out his or her credentials and licenses. To do so, ask the planner to provide you with a list of credentials and licenses he or she holds, and find out what organizations he or she is regulated by. Your planner should provide you with written disclosure documents that contain this and other information. CFPs and other planners who follow ethical guidelines are required to give these disclosures to you. Then call the organizations listed and check out the information the planner gave you. Evaluate the answers the planners have given you, and choose the qualified professional who can best give you the advice and services you need. Make sure that you feel comfortable with his or her financial planning philosophy and that you trust him or her to manage your finances.

Choosing a securities broker

What a securities broker does and how to find one

A securities broker is a salesperson who works for a securities firm (a brokerage house). He or she earns a living by buying and selling your securities (e.g., stocks and bonds) and receiving a portion of the commission generated. Although a broker will try to match your investments to your financial goals, you may not want to rely on a broker to give you financial planning or investment advice. Even though a broker can give you factual information related to your investment (such as price quotations, history of the security, and risks involved), his or her main job is to execute trades that make money. Consequently, you should have some knowledge of what you want to buy when you consult a broker or work with an investment counselor or planner before you hire a broker. You can find a broker through your telephone directory, but it's wiser to ask for a recommendation from your financial planner, attorney, or someone who shares your financial values.

How a securities broker is compensated

A broker normally makes money by collecting commissions. Commissions are set by the individual brokerage house, and on large orders, they may be negotiable. Usually you pay a commission both on purchase and on sale that is a percentage of the price plus a flat amount. For example, if you are purchasing shares worth $500, your commission may be 2.5 percent of the price plus $7.50. You may pay an equal amount when you sell the stock. Some brokers don't receive commissions; instead, they receive a flat percentage of your assets annually for managing your accounts.

Tip: To save money on commissions, you should try to minimize the number of trades you make. You might also consider using a discount broker who trades off the exchange or buying no-load mutual funds from a company that specializes in selling shares directly to the public without the help of, or cost of, a broker.

Interviewing and evaluating a securities broker

Before using the services of a broker, you'll want to ask him or her several questions, including these suggested by the federal Securities and Exchange Commission (SEC), the agency that regulates the securities industry:

- Are you registered with our state securities regulator? Have you ever been disciplined by the SEC, a state regulator, or other organization (e.g., the National Association of Securities Dealers or one of the stock exchanges)?
- What training and experience do you have? How long have you been in the business?
- What is your investment philosophy?
- Describe your typical client. Can you provide me with some names and telephone numbers of your long-term clients?
- How do you get paid? By commission? Amount of assets you manage? Another method? Do I have any choices on how to pay you?
- What criteria will I use to decide when to sell?
- Will you educate me about investment types I don't understand?
- Will you call me for permission to trade, or do you expect to have discretion over the account?

You might also want to ask whether the firm has an in-house research department and whether you can open a margin account at the brokerage and, if so, what the related requirements are. After you've collected information on the broker, choose one who seems to be knowledgeable and ethical. Make sure your broker will work in your best interests, not only his or her own. Check on his or her credentials and history by calling the Securities and Exchange Commission at (800) 732-0330 or the Financial Industry Regulatory Authority at (800) 289-9999 and your state's securities office. For more information on investing in general, see Introduction to Investment Planning.

Choosing an attorney

What an attorney does and how to find one

You may want to hire an attorney if you need expert advice/and or representation concerning a legal problem. You may want to consult a lawyer before performing a legal transaction (e.g., planning your estate, buying or selling property, or divorcing your spouse) or after you are involved in a legal matter (e.g., you are sued or arrested). If you need help with routine matters such as preparing a contract or closing on a house, you may want to hire a general practitioner. However, many attorneys specialize, and you'll want to hire one who can help you with your particular problem. For instance, lawyers may specialize in family law, criminal law, tax law, real estate, bankruptcy, personal injury, or immigration, among many other areas. To find an attorney, consult the following sources:

- Ask someone you know for a recommendation, including friends, relatives, associates who share your values, or other advisors.
- Check your telephone directory (usually under "attorneys").
- Call the local bar association referral number or another type of lawyer-referral service. They will refer

you to one or more attorneys in your area. There may or may not be a charge for this service or for the initial consultation. Be aware, however, that referral services do not recommend attorneys. You'll have to check out their credentials yourself.

- Consult the Martindale-Hubbell Law Directory available at your local library. This directory lists most lawyers in the United States by age, specialty, school attended, etc.

How an attorney is compensated

Lawyers are usually paid by the hour. Other lawyers charge a contingent fee if the client is likely to collect a settlement in a civil case for damages. The contingent fee is usually a portion of the total settlement (one-third, for instance). If your lawyer is compensated with a contingent fee, you will usually also have to pay his or her expenses even if you lose your case. Sometimes you'll pay a lawyer a flat fee. No matter how you compensate your attorney, make sure you have some idea of what your total bill will likely be before hiring the attorney. If he or she is working on an hourly basis, determine what services you will be charged for and how frequently you will be billed. Most attorneys will charge you for out-of-pocket-expenses (e.g., copies, postage, court fees, long-distance telephone calls). You may also have to pay a retainer, which is an up-front fee that works like a down payment on the legal services that you require. Make sure that you ask to receive an itemized bill, and check it carefully.

Interviewing and evaluating an attorney

When choosing an attorney, it's wise to interview him or her briefly by phone and then set up a face-to-face interview. It's a good idea to interview at least two attorneys in order to have a basis for comparison. Here are some questions you should ask:

- How long have you been in practice?
- How much experience do you have in the area in which I need help?
- In what states are you admitted to the bar?
- How much do you charge, and what services do you provide for that fee? Will I be charged for expenses? Phone calls? For speaking to your secretary? How often will I be billed? Must I pay a retainer?
- How large is your firm? Will other attorneys or employees be involved in my case?
- How long will it take to resolve my legal issue?

Once these questions have been answered to your satisfaction (it's a good idea to take notes), evaluate your impressions. Do you think you will work well with this attorney? Did any of his or her answers leave you feeling uncomfortable? Are his or her credentials and fee structure satisfactory? Remember, just because you've interviewed an attorney doesn't mean you have to hire him or her. Weigh your options carefully. Once you've hired an attorney, remember to get a letter spelling out exactly what you've hired him or her to do and the fee arrangement you both have agreed upon.

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State, national and international laws vary, as do individual circumstances; so always consult a qualified investment advisor, attorney, CPA, or insurance agent on all investment, legal, tax, or insurance matters.

The effectiveness of any of the strategies described will depend on your individual situation and on a number of other factors. After reviewing your personal situation, we may recommend that you not use any strategy in this document but instead consider various other strategies available through our practice.

Please fell free to contact me to discuss your particular situation.

Securities offered through Securities Equity Group, Member FINRA, SIPC & MSRB

David M. Jones is a Registered Representative. CA Insurance # 0E65326

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