

Choosing a financial planner that's right for you

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Q My husband and I were discussing how a financial planner could help us manage money in a more objective way because managing money in today's economy is stressful and emotional for the individual investor. How does one go about finding a good financial planner?

J.S., Oak Park

A It is trickier than it sounds.

If you have a lot of money, many accomplished financial planners would be glad to help you. But if you are like the majority of Americans, with little money to invest outside a 401(k), it can be complicated.

Many of the most experienced financial planners want clients who can bring them \$250,000 or more to invest.

Yet 60 percent of Americans with 401(k) plans do all their investing within their 401(k), and the sums are frequently modest. Because planners can't make much money serving such clients, they sometimes steer clients into high-commission mutual funds, variable annuities and whole life insurance policies that might not be in the individual's best interest.

This does not mean to give up the quest for a good financial planner. Some people need hand-holding in the current market to build their confidence and stay with appropriate investments.

If you seek a financial planner, you must be on your toes. You need to ask planners how they are paid in order to spot potential conflicts of interest. You should understand that some companies pay planners higher commissions to sell certain products and you want to make sure the advice you receive isn't tainted. Ask about fees and commissions on every product, and ask the planner to compare his or her recommendations with low-priced alternatives. For mutual funds, ask to see [Morningstar](#) recommendations.

On the face of it, commissions might sound small—perhaps 2 percent. But charges that high, and loads—or sales charges on mutual funds—can erode your potential nest egg by thousands of dollars over time. Ask the planner to show you, in dollars, what fees will do to your money over the long term.

In addition, be aware that anyone can call themselves a financial consultant. The title does not guarantee any training. In fact, brokers often call themselves financial consultants but they are paid to sell stocks, bonds, mutual funds and other financial products. Their job can be contingent on meeting quotas. Over the years, financial consultants seeking to elevate their credibility have attached designations to their titles that sound impressive. Some represent little more than taking a short course or seminar.

Solid designations include the certified financial planner, or CFP. To earn this, a planner must have experience, studied a wide range of financial topics and passed a course. Those most experienced with tax issues are called certified public accountants, or CPAs. Realize that even a designation doesn't guarantee skill in all areas, so inquire about expertise and ask to see three examples of the person's work in the area you seek. If each looks identical, that's a sign that the planner isn't catering to diverse needs.

Often CFPs and CPAs are best with advice on mutual funds rather than selecting stocks. Highly trained stock analysts are chartered financial analysts.

If you plan to turn your finances over to a financial planner, interview about three. You can obtain names from www.fpanet.org or www.napfa.org. Initial consultations should be free.

Keep in mind that you want a financial planner who works with people like you. If you have modest means and are 30, a planner who specializes in investing, tax and estate planning for wealthy seniors might not be the best choice.

Rather than turning your money over to a financial planner on an ongoing basis, you may simply need to obtain a couple of hours of advice about 401(k) choices and then handle the 401(k) on your own for a year. At www.garrettplanning.com, you can find planners who take clients on an hourly basis. NAPFA and FPA net also might help you find a "fee-only" financial planner.

When working with a financial planner on an hourly basis, ask upfront how much time will be involved so you can monitor hourly fees. Sometimes people who receive a couple of hours of advice on an investment plan or asset allocation that is right for them can then go to a broker to purchase the stocks, bonds or mutual funds. Ask planners about low-cost index funds.

Fees for an hour of advice vary, but might be about \$250. Meanwhile, a financial planner who handles your investments on an ongoing basis might charge 1 percent to 2 percent of your assets.

Even if a planner is recommended by a friend or respected professional, check their background by requesting their ADV Forms 1 and 2. That's where you will learn if they depend on certain companies for their commissions. Also, call the Financial Industry Regulatory Authority hot line to inquire about any disciplinary history for the individual or firm at 800-289-9999.

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