BULLETIN
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Financial Planning 101: How to Choose a Financial Planner

Did your most recent tax returns make you want to consider a more proactive approach to financial planning? Getting a financial plan drawn up by a qualified planner can save you many headaches and give you peace of mind.

This isn't necessarily going to be easy. Financial planning is not federally regulated., so almost anyone can call himself or herself a financial planner, regardless of training or experience; over 600,000 individuals in the US do.

Like many industries, financial planning professionals have taken on the task of regulating themselves. At least four designations guarantee that a planner has passed specific certification requirements. Here is a quick overview of the designations and the qualification requirements for each:

CFP® (CERTIFIED FINANCIAL PLANNER®)

This designation was created by the Certified Financial Planner® Board of Standards. CFPs® must:

- ❖ Have at least two years' work experience in a financial planning profession.
- ❖ Pass a series of examinations covering the financial planning process, income tax planning, retirement planning, estate planning, investment planning, family law, risk management, small business applications in financial planning.
- ❖ Complete 30 hours of continuing education every two years.
- ❖ Recertify every two years.

CHFC (CHARTERED FINANCIAL CONSULTANT)

This generally indicates an individual with the insurance industry. To obtain and maintain the ChFC designation, planners must:.

- ❖ Have three years of financial industry experience.
- ❖ Pass exams covering finance and investing, the fundamentals of financial planning, income tax, insurance and estate planning.
- ❖ Complete 30 hours of continuing education every two years.

NAPFA-REGISTERED FINANCIAL ADVISORS

Affiliated with the National Association of Personal Financial Advisors, planners with this designation must:

- ❖ Agree to perform services on a fee-only basis.
- ❖ Submit a comprehensive financial plan for peer review.

- ❖ Have his/her government-mandated disclosure form (Form ADV) reviewed annually by an independent third party.
- ❖ Complete 60 hours of continuing education (distributed across 6 subject areas) every two years.

PFS (PERSONAL FINANCIAL SPECIALIST)

This designation is available only to CPAs. Holders of the PFS designation must:

- ❖ Be a licensed CPA in the state where they do business (this involves passing a rigorous 2.5 day examination, among other things).
- ❖ Pass a special PFS examination.
- ❖ Have provided 250 or more hours of financial planning services in each of the three years prior to passing the PFS examination.
- ❖ Substantiate his/her experience by providing references from three clients and three other advisors.
- ❖ Obtain reaccredidation every three years: 72 hours of continuing ed, 750 hours of ongoing financial planning experience and internal practice review.

What does all of this mean for you? Consider the following when choosing a planner:

- ❖ The planner's qualifications and professional experience. A planner with one or more of the credentials listed above is likely to have a better understanding of the way finances really work than one who has no formal credentials.
- ❖ How the planner is compensated. A planner to whom you pay a fee directly may be more likely to offer neutral advice tailored to your specific needs.
- ❖ The last time the planner was recertified or received any sort of training – and the insights he or she gained from that process.

The two most important things to consider won't show up on any list of credentials, no matter how long:

- ❖ Style. Even the most experienced planner is useless if his or her approach is not comfortable for you. We're not just talking about a bias towards preservation or growth of capital; we're talking about things like the way the advisor responds to your questions, and whether they're willing to provide exactly the level of explanation, education and detail you need – not more and not less.
- ❖ References. Any reputable planner should be willing and able to provide you with the names and contact information for at least three clients with whom he or she has worked. Plan to interview these references closely to determine whether the planner is a good fit for you.

Sorting this out by yourself can be a daunting task; there are so many options and details to consider. When you're ready to create – or reevaluate – your financial plan, why not ask your CPA for help in locating a reputable planner? He or she probably already knows – and is comfortable with – several experienced planners. Ask him or her to refer you to two or three who might meet your specific needs and be a good stylistic match for you. You'll still have to conduct some interviews yourself, but at least you'll be starting with a smaller pool of prescreened professionals.

Another advantage of this approach is that a planner your CPA helps you find is more likely to understand his or her role in your total financial management team and to work well with your CPA in supporting your long-term financial security. In the end, this will only serve to benefit you.

And that's what planning is all about!