

finding a financial planner

WHEN SHE APPROACHED A MILESTONE birthday, Nina Lewis, of Columbus, Ohio, realized she needed help getting her financial life in order. "I was going into my 40s with no savings and only a small IRA, and I was scared," says Lewis, a housing coordinator for the city of Columbus. A colleague steered her to financial counselor Edie Milligan, and during several meetings they analyzed the concerns Lewis and her companion had, and drew up a three-page solution: a budget, a saving strategy, and a long-term investment plan. "Edie really helped take away a lot of the stress," Lewis says.

No wonder. People don't take out their own appendixes or replace their cars' crankshaft. So why should they take on something as complex as financial planning alone? More and more these days, they're not. Financial planners are in high demand, particularly for people in midlife who suddenly find themselves being hit from all sides: aging parents to assist, retirement to save for, college tuition to pay. And with portfolios hammered by two years of a bear market, professional guidance looks less like a luxury and more like a necessity.

Because financial issues are emotionally charged, finding an appropriate planner is in many ways like finding the right therapist: A good relationship is key. "Your planner will know more about you than your



doctor does," says Dee Lee, a Certified Financial Planner (CFP) and the author of *Let's Talk Money* (Chandler House Press; 2001). Among the secrets you will need to divulge: information about your family's health and its demands on you, now and in the future; your lifestyle, income, and professional prospects; your assets; the stability of your marriage; and your dreams and goals. Says Milligan, a Certified Financial Planner, Chartered Life Underwriter, and Accredited Financial Counselor; and the author of *Take Charge! A Woman's Guide to a Secure Retirement* (Alpha; 2002). "I ask my clients, 'What keeps you up at night?'"

Conventional wisdom holds that the best planners are the "fee-only" type. It's a reasonable presumption.

A planner who earns commissions buying stocks or mutual funds for a client may have a conflict of interest. Instead of putting your needs first, he has an incentive to steer you toward the investment that will pay him the most. Yet, with hourly rates ranging from \$75 to \$400, fee-only planners aren't within everyone's reach. Some won't even take clients with less than \$500,000 to invest. And while the impact of commissions should concern you, four out of five planners take them. If they were all untrustworthy, they'd soon go out of business.

That thorny issue is only one of the reasons why choosing the right planner can be challenging. What's more, advisers come from backgrounds in accounting, insurance,

securities brokering, or the law and can hold any one of a dozen different—and confusing—credentials.

Identify your situation

The first step is to figure out what

you want from a planner. Is it someone who will help you think through issues? Or do you want an adviser who will draw up a specific house-

hold budget, give investment advice, and manage your portfolio? The answer will depend on your own financial savvy and the state of your fiscal life. Are you having serious budgeting or debt problems, confronting a job loss or pay cut, or facing a major life change, such as a divorce or the death of a spouse?

Perhaps you need expert advice on asset allocation, but once that's done, you would like to pick the stocks or funds. Conversely, you may need a planner only for her fund- or stock-

picking savvy. Maybe you want someone to draw up a comprehensive plan, but then you would like to step in as project manager. You may be satisfied having your nest egg with a particular bank, trust company, or investment house, but you need reg-

ular tax-planning tune-ups. If you want a combination of services, consider someone who can make a plan and sell you the products to implement it. If you enjoy doing things yourself, find someone who appreciates that quality.

The best planners will welcome your active involvement.

Look beyond credentials

Most planners hold at least one of several designations that require course work, exams, and a pledge of allegiance to a code of ethics. The most common, held by nearly forty thousand advisers, is the CFP, or

Certified Financial Planner. More

than three thousand Certified Public Accountants have undergone additional training to become a CPA-

Personal Financial Specialist. A more exclusive credential comes from the National Association of Personal Financial Advisors. Its 750-plus members work on a flat-fee basis.

There are also Accredited Financial Counselors, who specialize in therapy-like money-management education, often sought by people with significant credit-card debt.

A planner's approach, philosophy, and work style are as important as credentials. Start shopping for a planner by asking friends, relatives, and colleagues, as well as trusted advisers, such as your accountant, lawyer, or stockbroker. Planners

in your area may also be indexed at their organizations' websites. Interview several planners. Find out about their education, how long they have been in the business, and what services they provide. Only a lawyer can draw up wills while a broker or registered representative will be licensed to buy and sell funds and

stocks. CPAs can handle tax matters but may not be experts in insurance. For a total financial overhaul, you may want a multiservice office with employees in all those specialties.

Does the planner only take on clients with minimum portfolios? Who covers if he's out? Can you call periodically? Has he been cited for violations or improprieties? (Check with the accrediting organization and your state's securities regulator.)

Determine the cost

Find out how the planner is paid. If it is by commission, ask why representing a financial-services company

will not bias his judgment—and

trust your instincts if you don't like the answer. You want the widest range of products at your disposal. If a planner is fee-only, inquire about the rates and what they

include. If the firm charges an annual retainer to manage money (usually 1 percent of the assets), what will that cover besides an initial consultation and plan? Quarterly check-ins? Regular asset reallocation? How

often will your plan be updated to stay in sync with your life? Can the firm help you buy securities, funds, or insurance policies? Financial plans cost between

\$400 and \$3,000, depending on the complexity of a client's needs. If that's too high or you have less than \$100,000 to invest, a hybrid-type planner who charges fees and accepts commissions may be a good, cost-

saving compromise. Ask if she will subcontract from your bill any commissions she earns. Always get a written statement of services to provide the details of the planner's compensation—and what you or the plan-

ner will be responsible for. Perhaps most important is your emotional evaluation. "See how you feel in their presence," says Denise Gustin-Piazza, a CFP, Certified Fund Specialist, and Certified Retirement Counselor in Chicago; a member of the Financial Planning Association; and a co-author of *Winning Financial Strategies for Women* (John Wiley & Sons; 2001). A good financial adviser,

she says, is part teacher and part listener. He should inspire confidence, make you feel comfortable, and offer as much, or as little, handholding as you want. It's not quite like choosing a therapist, but your relationship could have nearly as great an impact on your well-being. ■

SEE THE GUIDE FOR SOURCES