

# Financial advisers / product providers can make your difference

In support of the Improving Financial Awareness & Financial Literacy Movement built around the strategic campaign venues of

- Financial Literacy Month (April)
- Estate & Gift Planning Awareness Month (October)

This article contains a very important message

Many people mistakenly believe that since they are not "rich" they do not need to do any financial or estate and gift planning. This attitude can be financially harmful and can be avoided with proactive action.

In support of The Movement we thought an article on selecting "your right" financial advisers and financial product providers would be interesting and helpful.

Financial decisions you make today will have a major effect on how you will be able to live out your lives.

It's important that you carefully select qualified advisers to guide you through life's changes and challenges. If used properly, the right financial adviser (s) can save you time, money and heartaches.

There are many types of financial advisers and financial product providers to choose from. These many include attorneys, accountants, appraisers, bankers, credit counselors, financial planners, investment advisers, life insurance brokers and agents, money managers, realtors, wealth managers, registered representatives, stockbrokers, trust officers and private fiduciaries. Who and how you choose depends on your specific needs.

Many financial advisers and financial product providers offer more than one service. For example, some law firms provide tax preparation services and function as financial advisers. Accounting firms may go beyond the scope of tax preparers and serve as mortgage brokers, insurance agents, money managers and/or financial advisers. A number of life insurance agents and stockbrokers are also qualified as financial planners.

For general advice on personal finances, investments, taxes, retirement and estate planning, you might start with a Certified Financial Planner® (CFP®), a Certified Public Accountant / Personal Financial Specialist CPA/PFS, or a Accredited Estate Planner®, (AEP®).

## HOW FINANCIAL ADVISERS & FINANCIAL PRODUCT PROVIDERS ARE COMPENSATED

Financial advisers and financial product providers are usually compensated either with commissions or fees, some who are compensated by both.

**1. COMMISSION-BASED ADVISERS—FINANCIAL PRODUCT PROVIDERS:** These will not charge any direct fees, provided that you buy your financial products through them. The advantage is that you don't pay directly for services. The disadvantage is that your provider might lose objectivity or provide you with financial products that you don't need but that provide the person with excessive commissions.

Commission-based providers are usually found through brokerage houses, insurance companies, banks and credit unions and financial planning firms.

## TODAY'S THOUGHT

*"Teaching is more than imparting knowledge; it is inspiring change. Learning is more than absorbing facts; it is acquiring understanding."* ~ William Arthur

**2. FEE-BASED ADVISERS:** These advisers charge you for their time. They work on an hourly or project basis or charge a fee based on a percentage of assets managed. The advantage of this type of arrangement is maintaining the adviser's objectivity and independence. The fee adviser may also direct you to no-commission or low-commission products.

The disadvantage of fee-based advisers is you pay direct fees even if you don't follow their advice. If financial products are involved, you may still end up paying commissions along with the fees.

Fee-based advisers are usually found through accounting firms, law firms, trust departments and financial planning practices.

**3. COMMISSION-AND-FEE-BASED ADVISERS:** These advisers / financial product providers receive compensation both ways. Some charge a flat fee or hourly for services rendered, then receive commissions if you buy financial products through them. Others offset charged fees with their commissions, while others rebate commissions back to the client.

These advisers are in a position to "double dip", receive double fees. They are also in a position to reduce their clients' overall costs for financial products and services depending on their skill set and professional ethics.

These types of advisers are usually found in accounting firms (CPAs in a large number of states can now sell financial products to their clients or refer them to associates who do the selling and receive commissions), some law firms, independent brokers and financial planning practices.

## FINDING THE RIGHT ADVISER

Choosing the right financial adviser for your particular situation is an important decision. Selecting a financial adviser is a lot like choosing a doctor, dentist, family counselor or other trusted professional. Start by asking your current professional contacts and your peers for quality referrals. Then check them out further.

If you don't get satisfactory input, check with professional associations for adviser referrals:

AEP®: Accredited Estate Planner, Estate Planning Law Specialist (EPLS) and Estate Planners and other estate planning professional: National Association of Estate Planners and Councils: 866.226.2224, [www.naepc.org](http://www.naepc.org)

Attorney: American Bar Association: 800.285.2221, [www.abanet.org](http://www.abanet.org); your state bar association (consult telephone directory, state listings)

CFP® Financial Planning Association: 800.322.4237, [www.fpanet.org](http://www.fpanet.org)

CPA: American Institute of Certified Public



Accountants: 888.777.7077, [www.aicpa.org](http://www.aicpa.org)

CTFA: Certified Trust and Financial Advisor, The American Bankers Association, 800.226.5377, <http://www.banktrainingcenter.com/CTFA.asp>

CLU®/ChFC®: The American College: 888.263.7265, [www.theamericancollege.edu/subpage.php?pageId=166](http://www.theamericancollege.edu/subpage.php?pageId=166)

## MEETING WITH A FINANCIAL ADVISER

Before meeting with a prospective financial adviser or financial product provider, sit down and outline your goals and your current and future needs. Determine what services or financial products you require: a financial review, investing advice, tax planning and/or preparation, insurance planning, estate and gift planning, business accounting services, etc.

When interviewing financial professionals, evaluate them according to personal compatibility, expertise / experience, degrees / certification, professional references / reputation, ability to understand your needs, size of their firm / and their fee / compensation structure.

You should feel free to ask a prospective financial professional direct questions such as:

- What is your background? Your firm's background?
- What is your area of specialization?
- Do you have expertise in (an area specific to your needs)?
- Will you be working on my account or will your staff? If staff, will a specific staff person be assigned to me?
- How do you get paid: fixed fee, hourly or commission?
- How much will I be charged?
- Will you quote a fixed fee per assignment and provide a letter outlining our relationship?
- How many of your clients have situations similar to mine?
- Have you ever been sued for professional reasons? If so, why? What was the outcome?
- Will you provide a list of professional references and/or current clients?

For existing financial professionals, ask yourself:

## RESOURCE CENTER

- ◆ AEP & EPLS—Estate Planners: [www.naepc.org/search\\_planning.web](http://www.naepc.org/search_planning.web)
- ◆ Attorneys: <http://www.martindale.com/>
- ◆ CFP: [www.fpanet.org/plannersearch/search.cfm](http://www.fpanet.org/plannersearch/search.cfm)
- ◆ CPA & PFS: [www.aicpa.org/ForThePublic/FindACPA/Pages/FindACPA.aspx](http://www.aicpa.org/ForThePublic/FindACPA/Pages/FindACPA.aspx)
- ◆ CLU & ChFC: [www.theamericancollege.edu/subpage.php?pageId=166](http://www.theamericancollege.edu/subpage.php?pageId=166)
- ◆ Credit Counselors: [www.cccs.net](http://www.cccs.net)

- Has my professional completed tasks requested in a timely manner?
- Has the professional worked within the fees quoted?
- Does the professional contact me with information valuable to me?

If you are not satisfied with an adviser's / product provider's performance or attitude, give them feedback and see if they are willing to meet your needs. If you remain dissatisfied, it's time to find another.

## USING THE TEAM APPROACH AND GETTING A SECOND OPINION

If you are faced with making a significant financial decision and you are not clear about your options, do not hesitate in bringing your financial professionals together for a joint call(s) or meeting (s), or at least seeking a second opinion from another qualified professional.

**CAUTION:** never buy or be sold a financial service or product you do not understand to your satisfaction.

Over the years, financial advisers and their firms can play a very important role in helping you reach and maintain your financial goals. By following the above guidelines you should improve your chances of selecting and working successfully with advisers appropriate for your situation.



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## The Financial Awareness Foundation

A 501(c)(3) Nonprofit Organization - Dedicated to Significantly

*"Improving financial awareness & financial literacy"*

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[www.thefinancialawarenessfoundation.org](http://www.thefinancialawarenessfoundation.org)

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