

# Choosing Financial Professionals

## Costs

It is important to be told clearly, and preferably in writing, what the service provided by a financial professional will cost. Generally, payment can be in one of three forms, or a combination.

1. Salary. The financial professional gets a paycheck from the company. The company gets the money from fees or commissions charged to you.
2. Fees. There may be an hourly rate, a flat rate, a percentage of assets managed by the company, or a percentage of your income. "Fee-only" financial advisors work solely for their clients and are compensated only by a previously agreed upon fee. They do not accept commissions or receive any other compensation for recommending specific products. Many "fee-only" planners are members of the National Association of Personal Financial Advisors. For a list of NAPFA members near you, call 1-888-333-6659 (1-888-FEE-ONLY).
3. Commissions. These are paid to the financial professional when recommended financial products (e.g., mutual fund) are purchased. Commissions are generally based upon a percentage of the amount you invest in a product.
4. Combination of fees and commissions. A financial planner may charge a set fee to develop an investment plan for you, and receive commissions from any products purchased to implement the plan.

## Choosing Your Team of Financial Professionals

Choosing your team of financial professionals, and especially those who may advise you on investment decisions, takes some comparison shopping on your part. Say you have decided you could use the help of an investment advisor, a stock broker, or a financial planner.

Here's a six-step process that can help find the financial professional that is best for you.

### STEP 1. Get some names.

You can check the yellow pages of your phone book, but a better idea is to work from referrals. Ask your friends, work colleagues, and family members for their recommendations. You also can contact professional organizations for names of professionals practicing in your area. To do this, call toll-free or check their websites.

- Financial Planning Association (FPA), 1-800-282-PLAN (7526) or 1-888-806-PLAN (7526) or <http://www.fpanet.org>
- Certified Financial Planner Board of Standards – <http://cfp.net>
- National Association of Personal Financial Advisors, 1-888-FEE-ONLY (1-888-333-6659) or <http://www.napfa.org>
- American Institute of Certified Public Accountants, Personal Financial Planning Division, 1-800-862-4272 or <http://www.aicpa.org/>
- Society of Financial Service Professionals, 1-800-392-6900 or <http://www.financialpro.org/>

### STEP 2. Make some calls.

Ask to have information sent to you in writing, including the names of a couple of satisfied clients. You can get a good feel for how a financial professional will work with you by the way

that person treats you on the phone and through the mail. Pay special attention to the financial professionals' credentials.

### **STEP 3. Check out references.**

Call to see if the person is licensed. For example, all stock brokers must register with Financial Industry Regulatory Authority (FINRA) and are listed in the Central Registration Depository (CRD). Call FINRA or your state securities regulator to see if the broker is registered, and ask if there are any disciplinary actions on file. Here are some numbers to call to check for disciplinary action taken against a financial professional:

- Certified Financial Planner Board of Standards, Inc., 888-487-1497
- Financial Industry Regulatory Authority, 800-289-9999 or <https://brokercheck.finra.org/>
- U.S. Securities and Exchange Commission, 800-732-0330
- Iowa Securities Bureau, 515-281-5705

### **STEP 4. Set up a face-to-face meeting and ask some questions.**

1. How long have you been a financial planner? What other related experience do you have?
2. What are your professional credentials and affiliations?
3. What is your investment philosophy? (You will feel most comfortable with a financial professional whose recommendations are driven by YOUR tolerance for risk and other preferences, not his or hers.)
4. How will we work together (e.g., by phone, electronically, in person) and how frequently?
5. What services do you offer?
6. What can I expect from you?
7. What will it cost and how are you paid?
8. Who will work with me (e.g., the person you are interviewing or a business associate)?
9. May I see a sample financial plan?
10. Are you registered with state or federal regulators?

### **STEP 5. Ask yourself, "Do I feel comfortable with this person?"**

Working with a financial professional making investment decisions requires a relationship of mutual trust and respect. You must feel the financial professional has your best interests in mind and will be responsive to your needs. You must feel completely confident that this person will treat your situation with strictest confidence and act in a professional manner at all times. You must feel that this professional relationship, putting the effects of market volatility aside, will leave you better off than before.

### **STEP 6. Make the decision.**

Ask for a written agreement that details the services to be provided. Demand the best. Keep up your end of the relationship by providing prompt and accurate information about your current financial situation, your short-, intermediate-, and long-term financial goals, and your tolerance for investment risk. Advisors are required, by law, to make recommendations that are suitable for you; so they need to know a lot about you and your objectives.