Financial planners: Not just for millionaires anymore

By Jay MacDonald • Bankrate.com

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Got a headache? See your doctor.

A toothache? See your dentist.

A money problem? Well, that's when you might want to make the acquaintance of a good financial planner.

Maybe you've come into a large inheritance or your own income popped suddenly. Maybe you gave birth to triplets or recently divorced. Maybe you just bought or sold a business. Or maybe you just feel uneasy about your money -- you're not sure where it's going now or how far it will take you in the future.

Whatever your money problem -- too much or too little -- a financial planner can probably help.

"Many people don't realize that hiring a financial planner can be a good investment," says Gerri Detweiler, radio host and author of "*Slash Your Debt*". "If you find yourself letting important financial decisions go because you just don't seem to get around to them, you might want to talk to a financial planner to get those jobs done."

Do you need help?

How to tell if you need one?

That's easy, according to Barry Katz, the president and founder of Caratel Financial Services Inc. in Sunrise, Fla.

"If you ask yourself the question, then you probably do. Everybody can benefit from using a financial planner simply by getting all of your ducks in a row," he says.

You want to start your search by looking into the alphabet soup after the name:

- **CFP:** Certified financial planners have passed a national test covering insurance, investments, taxation, employee benefits, retirement and estate planning administered by the CFP Board of Standards. They must meet experience requirements and abide by a code of ethics.
- **ChFC:** Chartered financial consultants are the insurance industry's financial planning designates. They pass exams in finance and investing.
- **CLU:** Chartered life underwriters pass national exams in insurance and related subjects and have business experience in the insurance industry.
- **CFA:** Chartered financial analysts are experienced financial analysts who have passed exams in economics, financial accounting, portfolio management, security analysis and standards of conduct.

- **AICPA PFP:** Personal financial planning specialists are certified public accountants who have earned the financial planner designation from the American Institute of Certified Public Accountants.

Confused?

Don't be. Unless your needs fall outside the norm or you have a particular bond with an accountant or insurance agent who also does financial planning, you'll probably be shopping for a CFP.

Fee structures

Certified financial planners come in four flavors: Fee-only, fee-based with commission, fee-offset and commission only.

Simply put, planners who make a commission, do so on the financial products they sell you -- insurance policies, mutual funds, etc. Some charge a fee *and* collect commissions on what you buy from them, others *offset* the commissions they earn against their flat fee, and some work on commissions alone.

There is nothing underhanded about this form of compensation; bankers and even accountants today receive commissions in the same way and we barely blink an eye at it.

Fee-only planners, on the other hand, charge a set amount, either an hourly fee, flat fee for a comprehensive plan or annual retainer, and do not earn any commissions. Some fee-only CFPs may not be registered to sell financial products; others, like Katz, believe it presents a conflict of interest to do so.

Fee-only or commission?

Katz serves on the board of directors for the National Association of Personal Financial Advisors (NAPFA), an organization of more than 1,300 fee-only financial planners. He recommends starting your search at the NAPFA Web site for fee-only CFPs in your area.

"Starting with a CFP means a lot. It means they have gone the extra step of education and training," he says. "And I would go one step further and, because of the potential for conflicts of interest, I think you should find somebody who is a true fee-only financial planner."

Kerry Hannon, author of "*Suddenly Single: Money Skills for Divorcees and Widows*" agrees.

"I'm a big fan of fee-only financial planners. They don't make commissions off of what they suggest to you. You know what their flat fee is up front before you go into a meeting."

Detweiler says it's more a matter of personal taste.

"There are good planners in both camps," she says. "One is not necessarily better than the other, but one may work better for you."

The experts agree that fees and commissions widely vary in the largely unregulated world of financial planning. Peggy Cabaniss, chair of the NAPFA, estimates that financial planners can charge $125 to $350 per hour, depending on their expertise and experience, or, if they charge commission, ask for .5 to 1.25 percent of the assets they are managing. They can also charge on a per-project basis or set a flat fee for comprehensive financial plans. The latter can cost $2,000 to $5,000.

Finding a financial fit

Ready to search? First ask family, friends and business associates for recommendations. Then visit the Web sites of NAPFA, the Financial Planning Association (formerly the Institute of Certified Financial Planners and the International Association for Financial Planning) and the Certified Financial Planner Board of Standards for members in your area. Then narrow your list to less than 10 candidates.

Next, call each planner's office and find out if they work with clients at your financial level; some have minimums and may require that you have $100,000 or more to invest.

Finally, set up a minimum of three initial meetings. Most planners do not charge for this. It's an opportunity to ask your 10 key questions and determine if you've got the chemistry and communication to work together.

What can you do for me?

There are no guarantees that a planner will, say, double your money. Should a planner offer you such promises, head for the door immediately.

What they can and should offer to do for you is:

- Assess your current financial situation by reviewing your last two tax returns, all income sources, liquid and illiquid assets, wills, insurance policies, and estate and retirement planning documents
- Identify your financial needs and goals
- Develop a financial plan
- Explain the pros and cons of various options and financial instruments (stocks, bonds, mutual funds, IRAs, etc.)
- Advise you in identifying other professionals (investment brokers, lawyers, accountants) to execute your plan
- Review your progress periodically to make sure your plan remains on track

Advice and education is what makes the right financial adviser worth the investment, says Katz. Neither your banker nor your accountant has the broad training necessary for sound cradle-to-grave financial planning.

"Getting an understanding and education as far as inflows and outflows, assets and liabilities and what the future holds, that's a great investment," he says. "Yes, $2,500 is a lot of money. But if you amortize that over the benefit you're going to receive through financial planning, it's really a drop in the bucket."

Detweiler says doing your financial homework is crucial to getting the most from your planner.

"I'm a big fan of doing a lot yourself, because the more you empower yourself, the better your decisions will be, regardless of whether you have a planner," she says. "It's intimidating, no doubt about it. But the basic steps are pretty simple: figure out what your goals are, what you need to achieve them, and just get started."

Editorial assistant Leslie Hunt contributed to this story