



How to Vet a Financial Advisor

If you are hiring someone to help you manage your money and over time improve your financial wellness, it is critical to understand the type of training they have completed and what you can expect from working with them. Financial designations and credentials fall into several categories:

Financial Planning

CFP® / Certified Financial Planner professional, is the highest standard for a financial planner and indicates the person has completed training and certification awarded by the Certified Financial Planner Board of Standards. A CFP® has financial management expertise in areas such as financial planning, taxes, insurance, estate planning, and retirement planning (including 401k and 403(b) plans.) To attain this designation a person must have a formal education and undergo a rigorous and demanding process that requires passing a series of standardized tests, 6,000 hours of experience, and meet ethics requirements from the CFP® Board.

CFP®s must complete ongoing training annually to maintain the designation and remain current with various skills and industry standards. A key differentiator from other financial planners is that with the CFP® designation comes a fiduciary duty. This means the CFP® is required to make financial recommendations with their client's best interests in mind.

ChFC® / Chartered Financial Consultant certification prepares a financial professional to offer guidance on basics of financial planning and risk management, tax strategies, retirement planning, investing, insurance and estate planning strategies that include gift planning and inheritance. Study and certification requirements are determined by the American College of Financial Services. Three years of relevant financial experience is required, as is successful completion of an eight-course regimen and adherence to The American College Code of Ethics and Procedures.

Once certified, people are required to enroll in the annual Professional Recertification Program to continue active practice.

Specialized Retirement Training

Many financial planners or advisors enhance their knowledge with in-depth training on retirement planning.

CRPC® / Chartered Retirement Planning Counselor is a program for financial professionals that prepares them to advise clients on their pre-and post-retirement demands in addition to asset management and estate planning. The College for Financial Planning® — a member of the Kaplan Company family created the Chartered Retirement Planning Counselor™ (CRPC®) education and designation program. The CRPC® course requirement includes 9 courses offered over three semesters. To receive the designation, the professional must pass a final exam with a grade of 70 or higher and is entitled to make up to two attempts to pass the exam.

RICP® / Retirement Income Certified Professional demonstrates the person is trained to advise and implement on a range of retirement strategies including retirement income planning, decisions about social security, portfolio withdrawal strategies, Medicare, long-term care planning, and inheritance and legacy planning. The person must have three years' experience as a practicing financial professional such as a CFP® or ChFC® and must complete requirements determined by the American College of Financial Services. A person will take three courses, and then must pass a closed-book proctored exam at the end of each course. The RICP® designation requires three hours of continuing education every two years and must comply with The American College Code of Ethics and Procedures.

As you can see, earning these credentials involves a rigorous process as well as continuing education. Typically, a financial professional can assist you in a number of areas, including:

Basic financial planning. Equip you to manage cash flow, create a budget, and manage debt.

Retirement savings and income planning. Establish a savings and investing strategy during your working years, and safe and efficient drawdown strategies in retirement.

Risk management and insurance planning. Evaluate life and property insurance, and health care.

Investment planning. Assist in selecting investment vehicles that align with your goals and risk tolerance.

Tax and estate planning. Plan to minimize current and future taxes, and plan for the protection and transfer of your estate.

It is vital for the financial professional to learn about your goals, what you value, and why you are seeking to work with a planner. In turn, you'll want to learn about a financial advisor you are considering. Some key questions to ask are:

1. Are you a fiduciary?

As mentioned earlier, a fiduciary is obligated to recommend investments and actions which are the best fit for the client's needs as well as the lowest price. An advisor who is a non-fiduciary only has to recommend what is suitable. In the case of broker-dealers, this can mean promoting a product that is not necessarily best for you or at the best price.

2. What can I expect when I begin working with you?

You should expect the person to gather hard data during initial meetings to learn about you, your circumstances and what you envision for your life. This is a critical first step, to make sure any plan that you ultimately agree on is customized for you. Because the goal is to create plans that are personalized to you, different elements of the planning process will receive differing emphasis depending on your needs and the complexity of your situation.

3. How will you be paid?

It's best to establish the fees upfront since fee structure can vary. It is highly recommended that you focus on fee-only advisors who receive no commissions for the products they sell. With a fee-only advisor, there might be a cost for assets under management (AUM), which is typically 1%. However, it can also be a flat fee or an hourly fee.

4. What other costs can I expect to pay?

In addition to paying the financial professional, there are likely to be other fees related to investments or other services. Be sure to find out what these are, as fees can adversely affect earnings over time.

5. How often can we expect to meet?

How accessible will the financial advisor be? Will you meet with them, or will you sometimes meet with their staff? Are they available by phone or email in addition to any scheduled in-person meetings or teleconferences?

6. What's your investment philosophy?

Working with a financial professional who has a different investment approach than yours can become problematic. If you are a socially responsible investor who prioritizes investing for the "greater good of humankind and the planet," you'll want to be sure that your advisor can adequately meet that need.

Remember, whether you are working with a CFP®, an accountant, tax lawyer, or another financial professional, pay attention to their credentials so you can be aware of "who is minding your money."