A Financial Planner Can Help

Many Wall and Ceiling Contractors Are Providing For Tomorrow, But a Financial Planner—Once Found—Can Add Something

by Irving L. Blackman and Christine M. Benton

It used to be so simple: Father worked hard all his life, fed his family, and socked away a dollar or two for the “golden years.” Today, however, even with both father and mother working, many families are facing the very real fear that they need a lot more money—now and in the future—than they can earn from salaries. Even worse, most of them have very little idea of what to do about it.

Enter the financial planner, that elusive entity who, ideally, will evaluate all your financial needs and wants, assets and liabilities, and come up with an expert strategy for attaining and sustaining optimum financial health throughout your life. Consumers in search of this valuable aid will find themselves confronted by a variety of financial planning services. To make a well-informed choice, it is wise to become familiar with the different types of planners in today’s marketplace.

For our purposes, financial planners of the ’80s can be divided into three major groups: Those who sell a financial product and offer some ancillary financial service (for free or for a fee) to sweeten the deal; those who fit somewhere into the scheme of the new financial supermarkets; and the new breed of planners who are pushing for further definition of their niche and aiming for professional status.

Most business people have encountered many “financial planners” who fall into the first category. When, for instance, your insurance agent recommends additional life coverage or other investments to augment your employee pension plan, he or she is, in a sense, providing personal financial planning services. When your family attorney,
in the process of drawing up your will, suggests that you make some tax-incentive investments to aid in your estate planning, he too is helping formulate one portion of your financial plan. And obviously, when your stockbroker (paid by commission) or your investment adviser (paid by annual fee) leads you to this stock or that municipal bond, each is contributing to your overall financial plan.

To complicate matters, many of these financial advisers and sales people are offering more than one type of product—insurance agents and brokers, for example, often sell mutual funds and variable annuities as well as life policies—which has led them to expand their planning roles. How seriously their clients adhere to their planning advice depends largely on client-adviser trust, since the question of objectivity often arises in the case of commission sales.

The trend toward multiple-service and multiple-product financial institutions has led to the second type of financial planner: those who work within the framework of the new financial “supermarkets.” Today many banks, insurance companies and others are offering total financial planning and services for individuals, including investments, insurance, retirement and pensions, corporate benefits, tax planning, and estate planning.

The financial supermarkets that probably have received the most publicity recently are the “cash management services” offered by some financial giants, such as Merrill Lynch, Shearson American Express, and Dean Witter. Whether they are called cash management accounts, financial management accounts, or something similar, these services generally include a brokerage account, money funds, credit card, and checking account. The consumer usually must make a sizable initial deposit, perhaps $10,000 to $25,000. Most consumers find these accounts attractive because of the centralized management of their dealings and the centralized statements, plus automatic transactions such as transfer of available cash to the money market investment of their choice. In the same way as the insurance agent who can sell you mutual funds, however, a cash management service offers an indirect form of advice but little true financial planning.

The third category of financial planners is a bit more difficult to define because the “professional financial planner” is still emerging as a solid force in the financial world. For years insurance agents and brokers have found offering financial planning a good way to draw in new and more business. For the most part, however, these individuals were insurance agents first and planners second, at best. But consumers can tap the services of several other types of planners, which have sprung from various origins. These planners have in common the desire to create a new breed of professionals whose planning role is at least as important as any other financial service or product they may offer. Here are some of the titles they carry:

**CHARTERED FINANCIAL CONSULTANT (ChFC).** This designation is awarded by the American College in Pennsylvania, which has offered the program since the fall of 1982 to various professionals. (Since the American College offers the CLU designation to underwriters, many ChFCs are insurance agents or brokers, but they can also be lawyers, accountants, and other professionals.) The ChFC designation signifies that
the recipient has completed a full program of financial planning courses. Planners with the ChFC designation charge planning fees. A measure of their objectivity is whether the fees change with your purchase of the planner’s other products (such as insurance).

**CERTIFIED FINANCIAL PLANNER.** This designation is offered by the College for Financial Planning, a correspondence school in Denver, which is affiliated with the Institute of Certified Financial Planners. Recipients have passed a number of tests in planning-related subjects to prove themselves proficient in a range of financial subjects.

**REGISTERED FINANCIAL PLANNER (RFP.)** The International Association for Financial Planning in Atlanta sponsors the RFP program, which is now being implemented. In the meantime the association has recommended to its members that they comply with all SEC regulations as a step toward registration with the SEC as investment advisers.

**NONCERTIFIED FINANCIAL PLANNERS.** While most earnest financial planners are finding it helpful these days to obtain one of the above designations, there are still many qualified planners who have not availed themselves of such opportunities. Like their certified or chartered counterparts, they come from many finance-related professions, such as CPAs, insurance agents, lawyers, economists, etc.

Does the designation of ChFC, CFP, or RFP tell you everything you need to know about a planner? Apparently not. As in any other profession, the quality of the help you get will vary from individual to individual. And the role of the financial planner is still insufficiently defined to guarantee the consumer certain services or results when he goes to any planner. One advantage of consulting a CFP, ChFC, or RFP is that both the International Association for Financial Planning and the American College have a code of ethics, which member planners must follow.

Whatever their credentials, a planner from whom you seek a comprehensive plan should be able to evaluate your current financial position, help you define your objectives, and then incorporate them into a plan that will help you meet those objectives. He or she must be able to provide a cash-flow statement, a statement of net worth, and an audit of your insurance coverage. He should examine your cash assets, stocks and bonds, and real estate holdings, your employee pension plan and other benefits, and your liabilities. Finally, he must help you implement your plan by providing you with tax-saving ideas; he may also choose tax-incentive investments for...
you or work with your investment specialist in this regard.

A qualified planner must help you make your income grow and shelter it from taxes and inflation, so you have funds available to allow you to keep up your standard of living, meet emergencies, protect yourself with insurance, and accumulate cash for retirement and other eventualities.

How will your planner do all this? Most comprehensive financial plans are created through a similar process:

1. The first step is a preliminary interview. This initial meeting helps your planner determine whether you are the right client for him, just as it helps you decide whether he is the right planner for you. Generally there is no charge for this interview.

2. After the interview you’ll fill out a questionnaire that tells your planner more about your financial life. Be prepared to provide detailed information on your investments, insurance, retirement and other job benefits, tax status, wills, estate, spending habits, and general attitude toward monetary matters.

3. Now the real work begins. Depending on available resources, your planner will subject the data you supplied to some sort of technical analysis. Most sophisticated planners of today have access to a computer that will spew forth cash-flow statements and other reports. Based on these reports, your planner will draw up a full financial plan.

Not as simple as it sounds, though, this little task may take one to four months to complete and could cost a tidy sum. Some planners charge by the hour (averaging $60 to $100 per hour); others charge a percentage of your income and/or assets. While they may seem high, most planning fees are commensurate with your net worth. Planners who are willing to take on clients who earn $25,000 a year, for example, obviously will not charge the same fees as for a client who is worth several million.

As a bonus, fees for some planning services are tax-deductible, such as investment counsel and advisory fees, attorney fees for counsel on income-producing property, and other expenses related to tax planning.

Where to find planners

Considering the variety of planners available, it’s wise to shop around. The quickest route may be to ask for referrals from friends and business associates, especially those whose financial status resembles your own. As mentioned above, your bank or insurance company may offer a planning service. If not, these may also be good sources of referrals. Other financial professionals whose services you already are using may know a good planner, and trade professional associations in your field or in the financial fields (local CPA and bar associa-
tions, for example) may also give you some names. Finally, you can get lists of personal financial planners in your area by writing to these associations:

Institute of Certified Financial Planners
9725 E. Hampden Ave.
Denver, CO 80231

International Association for Financial Planning
5775 Peachtree Dunwoody Road,
Suite 120C
Atlanta, GA 30342

Of course, you still should evaluate these planners before making a choice. (See related story.)

A final note: The planner’s-eye-view tells us that a good client can be as difficult to find as a good planner. Together your goal is to design a personal financial plan that will multiply your after-tax income and accumulated wealth. Before you seek a professional, be sure you truly need one and that you are ready to commit yourself to following a comprehensive financial plan. (See related stories.)

EVALUATING FINANCIAL PLANNERS

As you search for a planner, answer the following questions about each one, then compare the results.
- How long has the planner been in business?
- Can the planner provide references from other satisfied clients? Will he or she provide a sample plan drawn up for a similar case?
- What are his or her academic and professional credentials?
- Is the planner truly able to handle a comprehensive plan, or does he or she favor one particular aspect?
- What facilities and resources does the planner have? Computer support? Contacts and cooperation with other financial professionals?
- Will you be an average client?
- Is the planner paid by fee, by commission, or by a combination?
- Do fees appear merely to be loss leaders? Does an advertised offer of “free financial advice” merely to lead you to a sales pitch for a product?
- Will you be one of dozens of clients or just a few?
- Does the planner’s philosophy match your own?
- How do you react personally to the planner? Does he or she seem willing to spend the necessary time with you? Do you trust her implicitly? Does he answer your questions directly, clearly, and without condescension?
- Will the planner help you implement the plan? Or will he or she abandon you after dumping a pile of paper in your lap?