

The Financial Navigator - August Newsletter

In this issue I will address some questions that have been forwarded to me over the past few months concerning how one should approach finding a financial planner. Below I lay out a process you might use and offer some web resources that might be helpful.

In response to several questions pertaining to retirement and estate planning I am conducting several informational seminars in partnership with attorney Shenanne Tucker of Bouchard, Kleinman, & Wright. These free seminars are purely informational; (neither firm sells products) and are geared to provide attendees with basic ideas and concepts to consider when thinking about retirement, how to pass your assets on to your heirs and ensure your final wishes are carried out. Dates, times, and the location are below:

- **September 10th, 6-8 pm, at One NH Ave, Room 300, Portsmouth, NH.**
- **September 15th, 2-4 pm, at One NH Ave, Room 300, Portsmouth, NH.**

More information can be found on my website, www.azimuthplanning.com. If you are in the area please stop by as they are sure to be informative events, and please RSVP if possible.

Sincerely,

Bill Simpson, CFP®, MBA

Azimuth Financial Planning, LLC

(603) 373-8793

bsimpson@azimuthplanning.com

www.azimuthplanning.com

How to find a financial planner

To find a competent, forthright financial planner it will take time and due diligence, I would suggest a five step process.

1. **Gain an understanding of the different types of advisors and planners** - It is critical that you are aware of what is motivating the person sitting across the table from you. Anyone may call themselves a financial advisor, financial planner, or investment manager, but different types of planners are held to different standards.

Registered Investment Advisors, RIA, (who must register with the U.S. Securities and Exchange Commission and/or state regulators) are required by law to adhere to a “fiduciary standard”. That means the planner’s recommendations, by law, must place the client’s interest first. Fee-only advisors fall under this category.

Brokers, insurance agents, and bank employed advisors are held to a less stringent “suitability” standard, meaning the recommendations must be suitable for the client. The client’s interests do not necessarily come first; the advisor’s firm interests do. Therefore, a broker is legally free (and even required by many firms) to recommend an investment that pays him, and his firm, a higher commission over another competing investment as long as it is suitable for the client. A planner that takes a fiduciary oath could not do that.

2. **Develop a prospective list of planners** – Ask for referrals from your attorney or accountant. In addition you may use the following websites to find local advisors:

- a. For fee-only advisors: www.napfa.org.
- b. For advisors that will charge by the hour regardless of portfolio size: www.garrettplanningnetwork.com.
- c. For a financial planner that may perform work for a fee or commission: www.fpanet.org.

Also ask family or friends for referrals, but take these with a grain of salt as an unscrupulous advisor or financial salesman can fool a client for a year or two. But if they have had the same advisor for five years or more and are happy with the results then that is a good sign.

3. **Perform some due diligence** - Check out the firm's website and make sure you are comfortable with the business model and that the advisor will be working in your best interest. Check their record with securities regulators. For brokers go to www.finra.org/brokercheck, and for fiduciary advisors start with www.adviserinfo.sec.gov.

Determine whether the prospective advisor is a Certified Financial Planner, Chartered Financial Consultant, or a CPA with the Personal Financial Specialist designation. Do they have a business degree or graduate degree? None of these is a fail-safe litmus test, but the above designations and education give you an idea if you are dealing with a thoughtful and well-informed professional. Note that the various licenses that some people promote as evidence of their competence such as the Series 6, 7, 63, etc., are basically just sales licenses that are obtained after taking a 1-2 hour test.

4. **Meet the potential Advisor** - Once you have narrowed your choices down now it is time to call and meet the potential advisor in person. Your goal is to separate the financial expert from the smiling back-slapping salesman. Ask about their credentials, designations, and experience. Get an understanding of their investment philosophy and whether they offer a broad range of financial planning services encompassing insurance, budgeting, estate planning, and investments, or are they just offering investment advice. You need to ensure it is clear what their specialty is and whether it is appropriate for your situation.

Some red flags should be raised if the advisor promotes high investment returns, or risk free stock like investments, or state their services include free planning. Similarly if they speak in glowing terms about cash-value life insurance or variable annuities be wary as these are classic ways to garner high commission out of unsuspecting clients. More questions and an interview checklist can be found at either www.cfp.net, or www.napfa.org.

5. **Find out how they are paid** - During the interview make sure you ask how they are paid and how much; ethical advisors will offer up this information without prompting. Are they paid an hourly fee for planning services, a percentage of the investment assets under their management, a retainer fee, or commissions? If they offer fee-based investment services, in addition to being paid by you are they also getting paid by the investment manager whose funds they recommend? Ask direct questions about conflicts of interest created by their compensation and how they will overcome these to ensure your best interests are their highest priority. If they brush-off the questions about conflicts of interest and compensation you might want to look elsewhere.

Peter Lynch, a noted mutual fund manager and author, once wrote back in the 1980s, and I am paraphrasing, 'many investors will spend more time researching a new refrigerator than a stock they are going to purchase, yet the stock will cost twice as much as the refrigerator.' In my experience the same could be said today concerning most people and how much research they do when considering a financial advisor, except you could substitute a flat screen TV for the refrigerator. So dedicate some time to ensure

you are working with an advisor that is competent, experienced, and working in your best interest. If you need some referrals in your area give me a call and I may be able to help out.

If you have any questions on this topics, or need some help assessing what you risk tolerances is and designing a retirement portfolio, give me a call at (603) 373-8793. Ask about the Rapid Assessment, a financial plan targeted specifically at your retirement and investment goals and focused to get you back on track.