



## CHOOSING A FINANCIAL PLANNER

Financial planning is the integration of all aspects of your family's finances, including retirement, tax and estate planning, coupled with investment and insurance strategies. Good financial planning advice is important and so is choosing the right financial planner.

A good financial planner is like your family doctor. In an effort to stay healthy, you meet with your doctor regularly for a check-up. Your doctor knows all about you, your health situation and your lifestyle. Your doctor will make suggestions to keep you healthy, and if your doctor can't help you, you will be referred to a specialist. If you listen to your doctor and take your doctor's advice, you will likely increase your chances of living a longer and healthier life.

Your financial planner deals with your financial health rather than your physical health. Your financial planner will take the time to get to know you and your financial situation. By listening and working with you, they will help you to define your goals and develop a customized financial plan that will help you to realize these goals. Like your regular check-up with your doctor, you should meet with your financial planner annually to ensure your financial health.

Getting professional help, whether it is for our physical or financial health, is well worth the effort and expense.

### FINANCIAL PLANNERS

There are many types of financial planners and they have a wide range of expertise, qualifications and costs for their services. Sometimes holding out the promise of comprehensive financial advice is just an effective marketing strategy for many who are primarily concerned with selling financial products.

While an insurance agent might see an insurance solution to every financial problem and an accountant might display a bias toward tax planning, a financial planner focuses on all aspects that have an impact on your financial well-being. Good advice is comprehensive and takes into consideration all of the financial and non-financial factors that affect a person's life. These typically include, but are not limited to employee benefits planning, investment planning, insurance planning and risk management, income tax planning, estate planning, and retirement planning.

A CFP (Certified Financial Planner) designation is recognized as the industry standard for financial planners. You can be assured that an individual with this designation has achieved the educational and professional experience requirements in order to be able to provide detailed financial plans and advice. Individuals with this designation are also required to fulfill continuing education mandates to keep up to date on the latest practices and adhere to the rules and regulations of their professional association.

It is important not to confuse financial planning with investing. If you are simply looking for someone to assist you with investment advice, a professional with a CFA (Chartered Financial Analyst) or FMA (Financial Management Advisor) designation may be able to provide the service you require. Often individuals with these designations are employed by Investment Management Firms or Investment Dealers.

## COST OF FINANCIAL ADVICE

Investment advisory expenses may not be apparent so you should always ask about the cost of the services. Services may be charged in one or more ways. The two main types are fee-for-service and commission basis.

**Fee-for-Service Only:** An hourly rate is usually charged on a fee-for-service basis. No commissions are paid to the advisor from an investment or insurance company.

**Commissions Only:** Compensation is usually provided to the advisor from commissions received on the sale of financial products through the financial institution they are placed with.

**Fees and Commission:** Some advisors may charge a combination of fees and also receive commissions derived from the sale of financial products.

**Salary:** A salary is common for advisors that you deal with at banks and credit unions.

If you arrange to purchase financial products from your financial planner, it is also important to ask about the percentage of assets fee you will be paying. This is important because these charges are not always explicit and visible, as they are generally deducted from your gross investment rate of return. The fee is referred to as the Management Expense Ratio (MER) and may range anywhere from 0.50% to 3.50% of your assets under management. For example, on assets of \$500,000, a 2.50% MER amounts to \$12,500 per year, regardless of how well (or poorly) your investment performs. Therefore, an investor who invests in a high MER fund should ensure that value is received for the additional cost, either in the form of services from the planner or from a reasonable rate of return.

## FINDING THE RIGHT FINANCIAL PLANNER

Finding someone you can trust and feel comfortable with is vitally important. It is also important that you feel comfortable communicating with your financial planner – that you understand what they are saying and that they understand your concerns. Remember, when you hire a financial planner, you are not abdicating but delegating responsibility. A good approach is to interview a few qualified individuals over the telephone or in person. Often, financial planners will provide the first one-half hour free of charge so they can outline their services. Here are a few common questions to ask:

- What are your areas of expertise and what type of clients do you specialize in?
- What is your knowledge and experience regarding employee benefit plans?
- What financial products and services do you and your firm provide?
- Will I be working only with you or do you have a team of assistants and associates?
- How are you compensated?
- How do you charge for your services?
- Will you provide an estimate of the fees for the services provided?
- What licenses and certifications do you have?
- What documentation can I expect to receive from you?
- Could I see a sample financial plan?
- How often will we meet and what level of services can I expect?
- Will you provide references?

When looking for a financial planner, the first step is to ask your friends and associates if they have anyone to recommend and whether they are happy with the services they receive. Personal referrals from people you know are always a good source when looking for professional help, whether it is a physician, real estate agent, lawyer or financial planner.