The ABCs of CFPs

by: Johanna Fox Turner, CPA, CFP®

Doesn’t everybody know what a CFP® (CERTIFIED FINANCIAL PLANNER™) does? Apparently not, as I found out last week when our CPA team came to me with some basic questions. If *they* didn’t know that a CFP® may or may not be an investment adviser and that neither are the same as a stockbroker, my dear readers probably understand even less. So…this article is dedicated to your right to know!

The term “financial planner” is tossed around loosely in the financial world – kind of like “accountant” or “tax preparer”. To use the initials CFP®, professionals must:

1. Pass a rigorous two-day examination in:
- The Financial Planning Process
- Income Tax
- Insurance
- Retirement
- Estate Planning, and
- Investments

2. Acquire three years of financial planning-related experience
3. Agree to adhere to the CFP Board’s strict Code of Ethics, and
4. Complete 30 hours of Board-approved continuing education every two years

Some CFP®’s don’t even deal directly with stocks or bonds. Those that *do* assist their clients with investments are often “fee only” which means that they do not charge a commission or sell any commission-based products. These CFP®’s (of which I am one) believe that clients are better served when they do not have any financial incentive for selling products. Typically, they have a close network of relevant professionals to refer to their clients.

How do you choose the best CFP® for your needs? Although many clients engage a CFP® for financial planning *only*, the following suggestions can also help you find a professional for investment advice:

1. Get references from your friends and business associates. What you are looking for is an adviser who has, as a minimum, the CFP designation. Adding a CPA or MBA is even better. The following licenses have requirements even more stringent than the CFP®:
- CFA – Chartered Financial Analyst
- CIC – Chartered Investment Counselor
- CIMA – Certified Investment Management Analyst

2. Consider the first appointment to be an opportunity to interview the adviser and vice versa. I recommend you schedule “interview” appointments with three planners. When scheduling your appointment, ask if the planner charges for the first appointment, what you should bring with you, and how long you should expect to be there. Also ask if they specialize in a certain type of client or planning.
3. Ask: What rules are in place in your office? For example, do you have minimum asset or income limits? Do you prepare financial plans for clients who don’t invest their money with you? Do you manage investments for clients who don’t want or need a financial plan? If you manage my investments, will I be able to have outside accounts with brokers?
4. Find out what to expect if you transfer assets to the adviser from your broker(s)?
5. Come prepared with questions and a notebook – and don’t be afraid to ask! After all, your choice could determine whether you are living high on the hog or down in the dumps when you retire! Some interview questions I would suggest are:
- How many years’ experience do you have and in what areas? (See above topic list for ideas)
- What other licenses do you hold?
- What are your areas of specialization?

- How often can I expect to meet with you and how often will my plan be updated?
- How soon do you typically return a telephone call or email (and which method do you prefer)?
- Do you have a sample financial plan for me to review?
- What CE (Continuing Education) courses did you take in the past year?
- How do you react to significant swings in the market? How do you expect *me* to react?
- Do you have any recommended reading materials that I can purchase or borrow to educate myself on what you do?
- Will I continue to meet with you or will I meet with an associate?
- What is your investment philosophy?
- How are you paid for your services? Is any of your compensation based upon commissions from selling products?
- Do you have a business affiliation with any company whose products or services you are recommending?
- Of what professional associations are you a member?
- Do you provide a written client agreement? If not, why not?

You can find additional information on choosing a CERTIFIED FINANCIAL PLANNER™ at http://www.fpaforfinancialplanning.org/FindaPlanner/InterviewQuestions/

6. If your spouse won't be attending the interviews with you, consider asking a trusted friend to go along so that you can compare notes later. It *really* helps to have an alternate point of view!
7. Don't rush the process! The stock market will be just as unpredictable tomorrow as it was today. In fact, push the stock market to the back of your mind and concentrate on finding someone whose style matches yours and who you believe is ***absolutely*** ethical. Or, if you have a significant weakness (procrastination, for example), look for someone with a *dissimilar* personality who won't "enable" you.

Are you looking for a more rewarding relationship with your CFP® than the transactional style? "Life Planning", pioneered by CFP® George Kinder (www.kinderinstitute.com), is a growing movement within the financial services industry. Life Planning focuses your advisory relationship on ***you*** rather than your *money*. In the words of Mr. Kinder, the life planning process goes beyond conventionally accepted methods..."to meld your deepest human aspirations for a life worth living with rigorous financial goals". If this style of planning appeals to you, include a Life Planner on your interview list. The contact information for all Life Planning Professionals, including international planners, is on the above Kinder Institute website.

As you can see, a CFP® is vastly different from someone who "invests your money". Can a CFP® benefit you? Obviously, I think so. But, whether or not you decide to use a CFP® in the future, consider this: if a CFP® can help you change one area of your financial planning for the positive (a change in your insurance coverage or help with a new savings plan, for example), the payoff *could* literally be the difference between sleeping well at night and waking up with that *nagging* doubt that you could be doing something better. As I told you in the beginning, I believe you have a right to know about that!

Next month's column, "Year-End Tax Planner", should appeal to *everyone*. I plan to begin it…the day after the election!