



# NEW YORK STATE CONSUMER PROTECTION BOARD FINANCIAL PLANNER FACTSHEET

## *THINKING ABOUT USING A FINANCIAL PLANNER?*

### **How to Find a Financial Planner**

Whether you are seeking a complete overhaul of your financial portfolio or you just want to focus on one area of your financial health during these difficult economic times, getting assistance from a financial planner may be a consideration. Choosing a financial planner is an endeavor that should not be taken lightly. Your choice may have a significant impact on your financial well being.

### **What is a Financial Planner?**

A financial planner applies a very broad base of knowledge and understanding about tax planning, investments, and estate law to provide guidance to a client. He or she may coordinate services with your accountant, insurance agent, investment professional, and/or estate lawyer. Depending upon your agreement, some financial planners assist with every aspect of your financial life, including savings, investments, insurance, taxes, retirement, and estate planning and help you develop a detailed strategy or financial plan to meet all of your immediate and long-term financial goals.

### **Reasons You May Seek Guidance from a Financial Planner**

- Change in financial situation (layoff, illness, etc.)
- Receiving an inheritance
- Preparing for marriage or divorce
- Preparing for the birth or adoption of a child
- Education planning
- Preparing for retirement
- Saving for the purchase of a home or business

### **How to Find a Planner**

Once you have determined that you want to use the services of a financial planner, you should interview and evaluate several candidates. This process will enable you to choose the person or firm best meeting your needs and matches your philosophy. You can begin your search by seeking recommendations from friends, family, co-workers and business associates (such as your lawyer, banker, or accountant.)



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## *What to Ask When Choosing a Financial Planner*

### ⇒ **What is the person's professional experience?**

Learn how long he or she has been in practice. Also, assess if their experience described complements your needs and goals. The objective is to find a financial planner whose approach and experience is best suited for your issues or situation.

### ⇒ **What are his or her qualifications?**

Anyone can call himself or herself a financial planner. However, a financial planner can make themselves 'stand out' from the crowd by having credentials that highlight an area of knowledge. For example, if the planner holds a financial planning designation or certification, check on his or her background with the Certified Financial Planner Board (CFP) or other relevant professional organization. Some of the more common acronyms are as follows:

- ❖ **CFP:** Certified Financial Planner must meet the CFP Board's education, examination and experience requirements, agree to adhere to high standards of ethical conduct and also complete the CFP biennial certification requirements.
- ❖ **ChFC:** Chartered Financial Consultants is used by financial professionals -- including accountants, attorneys, bankers, insurance agents and brokers, and securities representatives -- who have earned the ChFC designation by completing the American College's eight-course education program. The American College is a non-profit educational institution dedicated to the training and development of financial services professionals.
- ❖ **CPA/PFS:** Certified Public Accountants wishing to specialize in personal financial planning can earn the American Institute of Certified Public Accountant's (AICPA) Personal Financial Specialist (PFS) designation by joining AICPA and meeting its exam, experience, and learning requirements.
- ❖ **CFA:** Chartered Financial Analysts require a three-year graduate level program of self-study to earn this designation. The three sequential exams at the end of the course work cover a broad range of investment topics. Those carrying this designation are securities analysts, money managers, and investment advisers.

*This list is not inclusive of all designations nor is it an endorsement of any particular credentialing body or designation. Note that credentialing bodies and organizations authorize the use of the aforementioned acronyms. Such authorization is based on education and testing administered by the organizations. These are generally non-governmental entities self-regulating particular specialties within a professional field.*



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## *What to Ask When Choosing a Financial Planner* (cont)

### ⇒ **What services are offered?**

The financial planner should only offer services that are consistent with his or her education, experience, licenses, and certifications/designations. In order for a financial planner to sell insurance, securities products (e.g., mutual funds or stocks), or offer investment advice, he or she needs to have the proper licenses and/or must register with State and/or federal authorities (such as the U.S. Securities and Exchange Commission (SEC)).

### ⇒ **With whom will you be working?**

You may work directly with the financial planner and/or with others in the office. Find out who else may be working with you and make the effort to meet them. Additionally, ask if any outside professionals (e.g., attorneys, tax specialists, etc.) will be used and if so, obtain their contact information and determine if you are comfortable with their qualifications and sharing your personal information with them.

### ⇒ **How is the fee for services determined?**

Financial planners, as with many other professionals, have various means to calculate payment for their services. Some of the more common ways financial planners are paid include:

- **Salary:** The financial planner may receive a salary for the work he or she is doing on your behalf. The firm for which he or she works receives payment from you or others, via fees or commissions, to pay your financial planner's salary.
- **Fees:** A fee schedule can be based on a flat rate for services, an hourly fee, or a percentage of the assets being handled by the financial planner.
- **Commission:** The financial planner can obtain a commission by receiving compensation by a third party resulting from the transactions/recommendations made. Often, the commission is a percentage of the amount invested with a specific product. Try to determine if there is a conflict of interest and if he or she is compelled to sell certain services for higher commissions or to meet sales quotas.
- **Combination:** Financial planners may receive a combination of fees, salary, and commissions. Sometimes, financial planners may offset the fee you are charged based on the amount of commission he or she receives.

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## **What to Ask When Choosing a Financial Planner** *(con't)*

### ⇒ **Are there conflicts of interests?**

You should ask about any potential conflicts of interest that the financial planner may have. Will he or she feel compelled to offer certain services or steer to products based on the relationship he or she or the firm has with specific companies. Try to determine if he or she will be influenced by commission rates to promote certain products.

### ⇒ **Has the financial planner been disciplined by any government regulatory agencies and/or professional associations?**

Review the professional disciplinary actions against the financial planner, if there are any. Sources of such information are the Financial Industry Regulatory Authority (FINRA), state insurance and securities departments, the Certified Financial planners Board (CFP), SEC, and the Better Business Bureau (BBB). If the financial planner is also an investment advisor, he or she can provide you with disclosure on form ADV. Form ADV is used by investment advisers to register with the SEC, and the Form is also used for state registration. You can find a copy of an investment adviser's most recent Form ADV (Part 1 only at this time) on the [Investment Adviser Public Disclosure \(IAPD\)](#) website. Your investment adviser must furnish you with a copy of Part 2 of Form ADV as required by SEC rules.

Additionally, the Investor Protection Bureau of the Office of the New York State Attorney General requires brokers, dealers, securities salespersons and investment advisers to register with them. Consult with this bureau to gain insight on these professionals and whether there are any complaints against them.

### ⇒ **Can you put it in writing?**

Prior to agreeing to use the services of a particular financial planner, ask for an estimate in writing of all of the costs associated with the services to be rendered. They should be able to provide an estimate based on their method of compensation and the services they may be providing. Ask your prospective financial planner to memorialize the details of the services that will be provided and keep this document for future reference.



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