Working With a Financial Professional

A lot of people go the do-it-yourself route when it comes to planning for retirement. Easy access to financial information and tools on the Internet can be quite helpful. So, if you have the time and desire to manage your planning without professional help, turn to AARP for education, tips and resources, starting with www.aarp.org/readyforretirement.

Or, you may feel more comfortable handing over the reins to a professional who gets paid to make financial and investment decisions. There are several reasons you might choose to do this including:

» To create a detailed, realistic financial plan with specific dates, goals, and strategies;
» To monitor your progress toward meeting your goals;
» To advise you on responding to financial events or changes in your life; such as the birth of a child, buying a home, divorce, illness, or receiving an inheritance;
» To develop an investment strategy;
» To attend to specific tasks such as tax preparation or estate planning.

Types of Financial Professionals

You’ll come across dozens of designations (if not more) for financial planning professionals. To look up a designation and find out its meaning, check the Professional Designations Tool at www.finra.org/investors. (FINRA is the securities industry self-regulating body.)

Here are some basics about several of the “standard” financial professionals you’ll come across:

Investment Advisers

Investment advisers generally provide investment advice to their clients and manage their investments. The Securities and Exchange Commission (SEC) typically regulates investment advisers, as do state securities regulators.

Brokers

These professionals traditionally buy and sell securities, such as stocks, bonds, mutual funds and the like, for their clients. The SEC and states regulate brokers, and they must be members of FINRA.

Insurance Agents

An insurance agent can help you with your insurance needs, such as life, property and long-term care insurance. “Captive” insurance agents sell the products of only one company, while independent agents can offer products from many companies. State insurance commissions regulate insurance agents.

Certified Public Accountants (CPAs)

A certified public accountant can offer a variety of accounting services such as tax preparation and financial planning. CPAs are licensed by the state after meeting education and experience requirements.
**Financial Planners**
These professionals generally take a broad view of your financial affairs. The most comprehensive financial planners assess every aspect of your financial life. In many cases, these planners also manage your investments. The financial planning profession doesn't have its own regulator. But planners may be regulated based on the services they offer. For example, the SEC would regulate a financial planner who is also an investment adviser.

**Estate Planning Attorneys**
These lawyers can draft your will, durable powers of attorney, and health care proxies. They can also develop wealth transfer strategies to ensure your estate passes to your heirs in the most tax-efficient manner.

**How They Get Paid**
Financial professionals receive compensation in a variety of ways. Before you hire anyone, make sure you understand how that person gets paid.

Financial professionals can get paid by:

- Charging a percentage of the value of the assets they manage for you (for example, 1 percent)
- Charging an hourly fee for the time they spend working for you
- Earning a commission (a fee for selling a certain product)
- Drawing a salary
- Some combination of the above

Each compensation method has potential benefits and possible drawbacks, depending on your needs. For example, someone who makes money solely on commissions for selling products may not always have your best interests in mind.

**Finding a Financial Professional**
A good place to start when shopping for a financial professional is with referrals from friends and relatives. Be sure to ask what they like about their financial professional, and decide whether you’re looking for someone who offers those attributes or capabilities.

Gather two or three names of financial professionals and set up appointments to talk with each of them. Ask for an in-person meeting. If any of them declines or tries to push you to just talk by phone, cross that one off your list. You want to talk only with someone who is eager to work with you.

Think about what you want out of your relationship with the professional. If your focus is on retirement planning, be prepared to describe what you’ve done so far and what you feel you need help with. And be ready with a list of questions of your own. Here’s a list of 10 questions* to take with you:

1. What experience do you have working with people like me?
2. Do you have any special areas of expertise?
3. What licenses do you hold? Are you registered with the state, SEC or FINRA? If so, in what capacity?
4. What relevant professional designations do you hold?
5. How long have you been with your current firm? Where did you work before?
6. What investment products and services do you (or don't you) recommend to your clients? Why?
7. How much will I have to pay for your services? What is your usual hourly rate, flat fee or commission?
8. Do you or your firm impose any minimum account balances? If so, what are they? And what happens if my holdings fall below the minimum?

9. How frequently will we meet to discuss my portfolio and the progress we are making toward my investment goals?

10. Who else in your office will handle my account?

*Adapted from www.finra.org/investors

After the interviews, compare the answers you received. Think about each professional's approach. Did she discuss financial issues in language you could understand? Do you think she understands your situation well enough to be entrusted with your personal information and your future? And most importantly, did you feel a connection? You may be working with this person for years to come, so it's important you're comfortable about what she has to offer—and how she offers it.

**Take Action!**

- Make a plan for your retirement. Be specific and set realistic goals to help make retirement attainable. Go to [www.aarp.org/readyforretirement](http://www.aarp.org/readyforretirement) for resources to help you plan, budget and save.

- Learn more about financial professionals and their designations through regulators, such as the SEC's [www.investor.gov](http://www.investor.gov), [www.finra.org/investors](http://www.finra.org/investors) and the National Association of Insurance Commissioners ([www.naic.org](http://www.naic.org)).

- Look up financial planning professional designations using the Professional Designations Tool at [www.finra.org/investors](http://www.finra.org/investors).

- Don't forget to take the list of 10 questions with you when you interview financial professionals!

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