

How to find the right financial planner

The question I am asked more than any other is how to find a good financial planner who doesn't charge too much.

I always have trouble with this one. Not only does the definition of "too much" vary

**MARY
CORNATZER**

by income, but good financial planning isn't cheap. Of course, neither is bad financial planning. It's on that last point that I can arm people with questions to ask and qualifications to look for when choosing a financial planner.

Start with education and certification. You want a certified financial planner with a bachelor's degree or higher. Look for someone with training in income tax planning, retirement planning, employment benefits, insurance, investments and estate planning. Passing the certified financial planner exam is a must, as is at least three years of work experience. My personal preference would be someone with even more experience, whose age and life experiences are more on par with my own.

Benjamin Birken, with Woodward Financial Advisors in Chapel Hill, N.C., has CFP behind his name. But he says that designation alone is not enough. You should check out a planner thoroughly, ask questions and double-check information.

Your first question should

be, "How are you compensated?"

A broker/dealer, say someone who works for an investment bank, your neighborhood bank or an insurance company, may be a certified financial planner but is more than likely getting paid a commission on any product he or she sells to you. A fee-based adviser gets paid by you and can get a commission on some products. A fee-only adviser is paid only by you.

A fee-only adviser typically charges by the hour or has a set rate for a specific task, which can take the form of a flat fee or a percentage of your portfolio. Birken says 1 percent is the industry standard, but that usually involves management of assets. An hourly rate could be \$200 or more. How long you'll need depends on the amount of work that must be done.

How a planner is compensated goes hand-in-hand with conflicts of interest and fiduciary duty — two other things you should ask about. If your broker suggests that you need an annuity and gets a bonus or percentage for every annuity he sells, that's a conflict of interest. A fiduciary is legally and ethically bound to put the client's best interests first.

Once you understand compensation and fiduciary, find out how the firm is regulated. A planner who is also a regis-

tered investment adviser may be regulated by either the Securities and Exchange Commission or a state regulatory agency such as the Treasurer's office.

Ultimately, you want to choose a financial planner you're comfortable working with and someone who can explain potentially complex financial matters.

What you require in a planner and what it will cost obviously depends on what you need.

If you just want a quick checkup, or a surface-level evaluation, it could be a matter of two or three hours. If you need a comprehensive plan that looks at your cash flow, your insurance needs and estate planning as well as investments, the planner could spend 20 hours or more, Birken says. "Many people come in only wanting to talk about investments," he says, adding that most people need to take a step back and look at the whole picture.

Once you have a plan, he recommends regular checkups at least once a year — or whenever there's been an event in your life that could change the plan, such as marriage, a baby, a divorce, a first job, a job change, retirement or even a big bonus.

"We like to remind people that the plan we do this year is based on what's going on right now," Birken says. "The plan needs to be a living document. It can't be set in stone, put in a safe and never touched."

• Mary Cornatzer is a columnist for The News & Observer in Raleigh, N.C.