

## How to Work with a Financial Advisor

No matter what your level of investment experience or sophistication, you may benefit from developing a relationship with a financial advisor. Why? Because a qualified financial advisor is trained to analyze your personal financial situation and prepare a program designed to help you address your financial goals and objectives.

Financial advisors are often trained as accountants, lawyers, insurance agents, or stockbrokers — all professions that have a relationship to different aspects of your financial well-being. Because of this association with another profession, a financial advisor frequently will specialize in a specific type of financial planning, such as retirement planning or estate and trust planning. While their experience and qualifications often vary, financial advisors (also called financial planners or financial consultants) can earn various professional designations that can boost their credibility and your confidence.

Most people can benefit from professional guidance when they venture into the complex and confusing world of managing their financial affairs. A financial advisor will be able to assess your risk tolerance, analyze your resources and current asset allocation, take into account your tax liability, and make investment recommendations in the form of a written financial plan that will help you pursue your goals. The plan may help ensure that your current and future assets are used to their best advantage given your current financial situation and your financial goals.

A flurry of new investment products, the emergence of global investing, the shift from company-funded pension plans to employee-driven retirement plans (like 401(k) plans), and uncertainty about Social Security have all contributed to the increased need for qualified financial advice. No matter what your level of investment experience or sophistication, you may benefit from developing a relationship with a financial advisor.

### What Is a Financial Advisor?

A qualified financial advisor is trained to analyze your personal financial situation and prepare a program designed to help you address your financial goals and objectives. It might be helpful to think of your financial advisor as a kind of doctor for your financial health.

Financial advisors (also called financial planners or financial consultants) can earn certifications or designations by completing accredited courses of study. Two of the most common are the CERTIFIED FINANCIAL PLANNER™ (CFP®) certification, which is awarded by the Certified Financial Planner Board of Standards Inc. and the Chartered Financial Consultant (ChFC) designation, which is awarded by the American College of Financial Services in Bryn Mawr, PA. There is also the Registered Financial Planner, which is a designation awarded by the International Association of Registered Financial Planners.

Financial advisors are often trained as accountants, lawyers, insurance agents, or stockbrokers - all professions that have a relationship to different aspects of your financial well-being. Because of this association with another profession, a financial advisor frequently will specialize in a specific type of financial planning, such as retirement planning or estate and trust planning. Financial advisors are usually compensated in one of three ways. They may:

- Charge a fee for their time and service, but sell nothing.
- Give free advice, but charge a commission on transactions involving investment products such as mutual funds, stocks, bonds, and insurance products.
- Charge both a fee and commission on transactions.

Although all three methods of compensating financial advisors are popular, some people prefer to simply pay a financial advisor for services provided, in much the same way you would pay an accountant or a lawyer for advice.

### Benefits of Working With a Financial Advisor

Most people can benefit from professional guidance when they venture into the complex and confusing world of managing their financial affairs. A financial advisor will be able to assess your risk tolerance, analyze your resources and current asset allocation, take into account your tax liability, and make investment recommendations in the form of a written financial plan that will help you pursue your goals. The plan may help ensure that your current and future assets are used to their best advantage given your current financial situation and your financial goals.

#### Building a Good Relationship

Knowing what to expect from your financial advisor can help establish a long and prosperous relationship. Here are some questions to ask to establish a working relationship with your advisor.

- What is your educational background?
- What (if anything) did you do before becoming a financial advisor?
- Do you offer specific or general recommendations?
- Will you help to implement these recommendations?
- Do you offer financial advice on noninvestment issues, such as estate law or accounting?
- If so, at what point would you bring in someone else to help?
- How do you keep in touch with your clients?
- Do you initiate annual reviews, or should I?

## **Building a Relationship**

Many events may be catalysts to seek financial help, such as planning for retirement or establishing a college fund or even changing jobs, but once you have established a relationship with a financial advisor, you will probably find a number of other ways you can benefit from working with him/her.

At your first meeting, you and your advisor will identify your financial needs and investment goals. Although it sounds simple, this can be harder than you think. Your advisor will be able to ask you the right questions to help you to determine what your goals are, just in case you aren't sure yourself.

To prepare for your first meeting, call your advisor and ask what specific documents and information you should bring. These may include essential documents such as wills, copies of insurance policies, pension information, and investment account statements. In addition, you should be prepared to answer or at least discuss the following questions:

**Retirement** -- When do you plan to retire? In what style do you expect to retire? Do you have any retirement savings?

**Income and Savings** -- What is your current income and rate of savings? Do you anticipate a change in jobs, leaving a job to stay home with children, or starting your own business?

**College** -- Do you have plans to fund or help fund your children's education?

**Disasters** -- Are you prepared for the unexpected? If you lost your job, had a serious accident, or contracted a serious illness, would you be prepared financially?

**Estate Planning** -- Do you have a will? Have you considered the tax implications of transferring your estate to your heirs?

After you and your financial advisor have established your investment goals and objectives, your advisor will create a plan for you and review this with you. Among the objectives, the plan may include making sure you have sufficient insurance, that you have cash reserves to meet unexpected financial needs, and that specific short- and long-term goals are provided for. The plan may also involve reallocating some or all of your assets into more suitable investments that fit your risk tolerance and your investment goals. In addition, the plan will recommend where to invest future assets (regular savings or lump-sum payments), and how much you will need to save to achieve your financial goals.

After you and your advisor have agreed on a plan of action and implemented it, all you need to do is schedule annual financial reviews to make sure the plan works to your satisfaction and that none of your goals have changed over time. And if you have major changes or events in your life, keep your financial advisor informed of these. Such examples include a change in marital status, the birth of a child, a change in income, or receiving an inheritance.

## **Taking Charge**

To work successfully with a financial advisor, you need to build a solid relationship based on trust and mutual respect. And most important, you need to be involved. Often, the least successful relationships are those in which the client is not very involved.

By deciding to consult a financial advisor, you have begun to take charge of your finances. A professional financial advisor will help you identify your investment goals and create a plan that will help address them. In the years to come, your advisor can become a trusted friend and confidant. And together, you will have implemented a strategy to maximize the earning power of your assets so that they are working toward creating a secure financial future for you.

## **Points to Remember**

1. A financial advisor has been trained to analyze your personal financial situation.
2. Financial advisors can earn certifications or designations by completing accredited courses of study.

3. There are a number of ways you can benefit from working with an advisor.
4. The first thing you and your advisor will do is uncover the strengths and weaknesses of your financial situation.
5. Your advisor must have an accurate picture of your financial situation to create a workable financial plan for you to follow.
6. Be prepared to answer, or at least discuss, questions about retirement, college savings and estates, among others.
7. Involve your financial advisor in investing decisions.
8. Knowing what to expect from your financial advisor is an important first step in establishing a potentially long and prosperous relationship.

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