

Related materials from the *Choosing a Financial Professional* series:

- ◆ *A Guide to Financial Credentials*
- ◆ *Interview Questions*
- ◆ *Who Is A Fiduciary?*

These materials are available at <http://www.ace.uiuc.edu/cfe/cfp/index.html>



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## How can I find a financial professional?

With a few steps you can find a financial professional with the expertise and qualifications needed to help you meet your financial goals. The first step is to locate financial professionals in your area. You can ask friends for references. Phone book directories often list financial professionals. Also, several associations have lists of financial professionals by area. The following are examples of four online, nationwide directories:

Fee-only Comprehensive Financial Planners, “Find a Planner,” National Association of Personal Financial Advisors website, <http://www.napfa.org/consumer/planners/>, 1-800-366-2732;

Certified Financial Planners, “Search for a CERTIFIED FINANCIAL PLANNER™ Professional,” Certified Financial Planner Board of Standards website, <http://www.cfpboard.org/search/>, 1-888-237-6275;

Certified Financial Planners, “PlannerSearch,” The Financial Planning Association, <http://www.fpanet.org/plannersearch/>

Independent financial advisors and

## Additional resources

*NAPFA Comprehensive Financial Planning Diagnostic*. Retrieved January 10, 2007 from <http://www.napfa.org/consumer/FinancialPlanningChecklist.asp>. Questionnaire to use when interviewing a financial planner.

Coalition on Investor Education. *Cutting Through the Confusion*. Retrieved from [http://www.nasaa.org/investor\\_education/financial\\_education\\_resources/5583.cfm](http://www.nasaa.org/investor_education/financial_education_resources/5583.cfm).

planners who offer hourly-as-needed assistance, Garrett Planning Network Inc., “Locate an Advisor,” <http://www.garrettplanningnetwork.com/>, 1-866-260-8400.

The second step is to interview at least two people. No matter where you find their names, it’s very important that you interview and compare financial professionals before you make a decision about who to use. Remember, you have the right to ask questions about financial professionals’ qualifications. For a list of questions to ask, see *Interview Questions*, a part of the *Choosing a Financial Professional* series.

Once you narrowed your choices, check the financial professional’s background and references. In Illinois, check a person’s licenses and disciplinary records by calling the Illinois Securities Department, toll-free 1-800-628-7937.

If you have a problem with a financial professional you can file a complaint. See *A Guide to Financial Credentials* – a part of the *Choosing a Financial Professional* series – for where to file a complaint.

Paladin Registry. (2006). Tips for Avoiding Bad Financial Advice. Retrieved January 10, 2007 from <http://www.paladinregistry.com/>.

Paladin Registry. (2006). Tips for Selecting High Quality Advisors. Retrieved January 10, 2007 from <http://www.paladinregistry.com/>.



UNIVERSITY OF ILLINOIS  
EXTENSION

## Choosing a Financial Professional

Plan Well, Retire Well: Your how-to guide  
[www.RetireWell.uiuc.edu](http://www.RetireWell.uiuc.edu)

### Should you use a financial professional?

Would having a financial plan help you feel more secure? Do you wonder if you’ll have enough money to retire? Would you like to simplify your financial life? Is the asset allocation of your investments designed to meet your financial goals?

If you have been asking yourself questions like these then you should consider using a financial professional.

A change in your life also can trigger a need to use a financial professional. For example, many people seek the advice of a financial professional when they inherit money, marry or divorce, or start a new job. Another common time for someone to use a financial professional is when they are approaching retirement.

Perhaps you are too busy to effectively



manage your finances. Or, you may find that you procrastinate when it comes to taking action steps. These are common reasons people use financial professionals.

Choosing a financial professional to help you can be a scary idea. It’s hard to know who to trust with your hard-earned money. It can be hard to know how to evaluate who

will do a good job of managing your money or giving you advice.

Unfortunately, government regulations do not protect the consumer very well in this area. Anyone can call themselves a financial advisor!

However, by knowing the questions to ask, you can successfully choose a financial professional that will help you meet your financial goals.

### Which financial services do you want?

Before you start talking to financial professionals, take time to think about what type of services you want. You may need different services at different times of your life. Sometimes an expert in the tax system is needed. Other times you may

need help buying or selling stocks. Perhaps you would like someone to look at your complete financial picture and long-term goals, and help you develop a holistic financial plan.

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#### Questions to Ask Yourself

- Do you need help developing strategies to reach your financial goals?
- Do you want suggestions on appropriate investment products to meet your goals?
- Do you want help with a few specific questions or do you need a comprehensive financial plan?
- Do you want ongoing assistance?

#### Key Concepts

- A fiduciary is required by law to always act in your best interests.
- You should know how a financial professional is paid and whether this might cause a conflict of interest.
- You have the right to ask questions of financial professionals.
- Competent financial professionals will want to know your goals and will ask you questions.

This publication will help you:

- feel comfortable asking a financial professional about their qualifications, expertise, and form of compensation;
- understand the difference between a fiduciary advisor and a non-fiduciary advisor;
- understand the broad range of types of financial professionals; and
- make an informed decision about choosing a financial professional.



## What do the different titles of financial professionals mean?

Does a financial professional's title tell you anything? Sometimes a title is helpful, but sometimes it can be plain confusing.

People with varying experience, education, designations, and licenses may promote themselves as financial professionals or advisors. In addition, new titles seem to emerge everyday; this adds to the confusion. However, for financial professionals who buy or sell securities or provide advice about investments, the law does define two titles: investment advisors and brokers.

Investment advisors give advice about securities such as stocks, bonds, mutual funds and annuities. Investment advisors

may manage client's investments including buying and selling securities.

Brokers' focus is buying and selling securities for their customers. Brokers sometimes use other titles such as financial consultant, financial advisor, and investment consultant.

There is a major legal difference between investment advisors and brokers. Investment advisors have a fiduciary responsibility to you; brokers do not. *A fiduciary responsibility means that an investment advisor must legally put your interest first and recommend investments they believe are best for you.*

Read [Who is a Fiduciary?](#) – part of the *Choosing a*

*Financial Professional* series – to learn more about fiduciaries.

Financial planner is another commonly used title. A financial planner is not a legally defined term. However, often people who call themselves financial planners focus on helping people develop a comprehensive financial plan based on people's long-term goals. Depending on a person's needs, this type of financial plan includes information about topics such as estate planning, tax planning, insurance needs, and debt management. In other words, the plan does more than suggest investments to buy. A financial planner may be an investment advisor or a broker or neither.

## How are financial professionals paid?

Financial professionals are paid in a variety of ways. When you are looking for a financial professional you definitely want to know how they will be paid.

Many financial planners

are paid a flat fee for their service. This flat fee may be determined by the size of the financial plan, by the hour, or by a percent of the assets you give them to manage.

The advantage of a fee-only planners is that there is less potential for a conflict of interest than with a commission paid planner.

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## How are financial professionals paid?

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Financial professionals who are paid by commission receive income based upon what you choose to buy. Some fi-

ancial planners may charge a fee AND receive commissions. Terms such as "fee based," "fee plus commission," and "fee offset" describe this payment method. With a fee

offset method, some of your fees may be reduced if the financial professional receives commissions when making purchases for you.



## What should I look for in a financial professional?

When choosing a financial professional choose someone who is qualified to provide you with the help you need. The best way to find out about a financial professional is to meet with them and to ask many questions. Often financial professionals will not charge you for your initial interview visit. By asking questions you can choose a financial professional who is a good match for you.

Qualifications that are important to consider include the person's experience and education. The person you choose should have experience handling financial situations that are similar to yours. Many financial professionals have credentials or designations which may indicate that they have had special training related to finances.

Many kinds of credentials exist. Some are very good

indicators of the person's training and skill, and others may indicate more limited knowledge. If the person is a broker or investment adviser, verify that they have the required license or registration. Does the financial professional you are considering hold at least one designation that is meaningful for the type of services you need? For example, a CFP® or a PFS is a good credential if you need a financial plan. For more information about different financial professional credentials, see [A Guide to Financial Credentials](#) - a part of the *Choosing a Financial Professional* series.

If you need advice about investments, choose a financial professional who is qualified to provide advice on a wide variety of investment options. Most people who give advice about investments need to be registered as an investment

advisor. See [A Guide to Financial Credentials](#) for exceptions.

A person's initial training and education is important, but it's also important that they have kept up with new changes. When interviewing a financial professional, ask about continuing education. Do they regularly attend seminars or classes about financial practices?

Along with experience and education, you want to choose a financial professional with whom you are comfortable talking about your finances. They need a good communication style. You also need to be able to trust this person. Don't hesitate to check their references and their licenses and registrations with the appropriate organizations. This way your trust will be well-founded.

*"Securities laws recognize two types of providers – investment advisors, who are in the business of giving advice about securities, and brokers, who are in the business of buying and selling securities on behalf of customers."*

*From "Cutting through the Confusion," The Coalition on Investor Education*