

# Find the right PRO

Regardless of your income level or financial goals, there's a financial adviser for you. *By Anne Kates Smith*

**D**EAN Amstutz has been planning his retirement since the age of 22, when he opened his first individual retirement account. Now 37, with his own graphic design firm in San Diego, a wife, Angela, 30, and a daughter, Grace, 1, Amstutz's financial needs are more challenging. There's saving for college for Grace and any future siblings, preparing a budget that allows Angela to continue working part-time as a copywriter, researching trusts to avoid California's punishing probate system, finding financing for a new building for the business, and possibly opening a health savings account. Investing for an early retirement with a paid-off mortgage is still the family's primary goal. "I don't want to worry

about whether Social Security is going to be there, or about having to sell my house if I don't want to," says Angela.

Though their ambitions are lofty, the Amstutzes are well on their way toward meeting their goals. For that, they can thank Dean's penchant for being prepared. "I don't like leaving things to chance," he says. "Maybe I'll win the lottery, but I'll plan now anyway." And they can thank San Diego financial planners Les Merrithew and Brandon Thorsten, the experts who are helping them every step of the way. "They do everything," says Dean. "I'm no expert in finance, and I have no natural inclination for it."

Neither do a lot of folks. And you don't have to be self-employed, like the Amstutzes, in these days of frozen pension plans and pared-back health benefits to wonder if you're making the right financial moves now for the long term. But whether you're a financial neophyte needing soup-to-nuts

assistance or a savvy do-it-yourselfer who just needs an occasional tune-up, there's a financial professional out there who can help. The trick is finding the right one.

The shocking truth is that anyone, *anyone*, can call himself or herself a financial planner, consultant, adviser or whatever moniker he or she thinks will bring in the most business. How does one differentiate among the alphabet soup of professional designations? Decipher complex compensation schemes? Avoid the con artists with shady pasts?

Finding a high-quality financial adviser requires more than a gut feeling after a free seminar and a smooth sales pitch. And the stakes couldn't be higher, says Barbara Roper, of the Consumer Federation of America. "Most people, once they have decided who they're going to work with, don't independently evaluate the recommendations they receive," she

PHOTOGRAPH BY AMANDA FRIEDMAN

■ Dean and Angela Amstutz have more free time to play with their daughter, Grace, now that professional advisers are handling their finances.



says. "We have all this information about investment products, when it's much more important to have the information about the expert."

### Credentials trump titles

**A**LTHOUGH ONE recent count found some 50 financial professional designations, only a handful deserve your attention. These are the ones that require a minimum level of experience (measured in years, not three-day seminars) and education (preferably continuing) and are conferred only after passing a comprehensive exam (preferably not a multiple-choice, open-book test).

Are you looking for a general financial road map? A Certified Financial Planner is trained in risk management, investments, tax planning, retirement planning and estate planning. A CFP who manages your investment portfolio will also be a Registered Investment Adviser, which means he or she must file documents with the Securities and Exchange Commission or state securities regulators, disclose conflicts of interest and put your interests first. Personal Financial Specialists (PFS) are certified public accountants who have gone on to specialize in financial planning. If you're looking for an investment guru, a Chartered Financial Analyst (CFA) must pass a three-level test on investment analysis, economics, portfolio theory, accounting and corporate finance. Chartered Financial Consultants (ChFC) are insurance agents who have passed college courses in financial planning; Chartered Life Underwriters have earned the highest professional designation for life insurance agents.

Most of these designations share important traits. There is likely to be a code of ethics, and a way to check someone's background or file a complaint with the accrediting body. Plus, there should be the possibility that the designation can be revoked for professional misconduct. "What good is a designation if all you do is pay

your money, do a little testing and then you've got it for life?" asks Patricia Struck, president of the North American Securities Administrators Association.

### Check, please

**H**OW A financial adviser is paid is key to the relationship. Planners of any stripe expect to earn a living, but do you want their income to depend on commissions generated from selling

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financial products? You needn't automatically rule out advisers, such as stockbrokers, who work on commission. But you should be aware that that compensation scheme poses potential conflicts of interest. An unscrupulous adviser might be tempted to trade a lot—this is known as churning—or to recommend inappropriate investments to generate fees. Or he or she may push in-house products when others are cheaper or better.

You may prefer a planner who charges fees for advice—and there's a schedule to fit every pocketbook. Hourly rates typically range from \$120 to \$300, depending on geography and expertise. Rebecca Pace, a fee-only planner in Cincinnati, charges \$400 for a two-hour consultation. "People who come into a two-hour session are well focused and well organized," she says. "They have a list of questions, and they don't want the answers in a sales environment." Or you might pay by the job, say, \$800 to \$2,000 for a retirement plan that takes into account how much you'll need to

save (and where to invest it), how long you'll need to work, how much you'll need to spend on medigap or long-term-care insurance, and so on.

The Amstutzes pay a \$1,500 annual fee for regular appointments with their planners and for advice on an ongoing basis as questions arise. They also pay 1% of their six-figure portfolio of no-load mutual funds each year. Merrithew, their planner, wouldn't have it any other way. "I started in the commission business," he recalls. "I had a ten-person branch under me, but I thought, Here I am with all these credentials and all these degrees and I'm not doing anything different from all these yahoos selling expensive annuities and mutual funds. I just didn't feel right about it."

Distinguishing between brokers and planners is a little more confusing these days, thanks to a recent SEC ruling. It allows brokers in some circumstances to offer financial-planning advice without having to abide by the same rules as Registered Investment Advisers. Brokers are supposed to sell investments that are suitable for their clients, but they're not legally obligated to put their clients' interests first. "At the end of the day, they're salespeople, and the standards that govern their conduct are sales standards," says the Consumer Federation's Roper. The trade group for financial planners is challenging the rule.

When you deal with a Registered Investment Adviser, he or she should show you the Form ADV (for adviser), which is a mini background check that spells out education, employment history, method of compensation, any conflicts of interest and discipline history. To check out stockbrokers, visit [www.nasd.com](http://www.nasd.com) or call 800-289-9999 or your state securities regulator.

### Personality plus

**C**LEARLY, YOU'LL need to vet several advisers. Whether you're young or old, scraping by or "high net worth," planning for

## ADVICE FOR SENIORS

## Beware the FLIMFLAM MAN

**T**here's a baby-boomer turning 60 every seven seconds for the next two decades, and bogus financial "experts" are lining up to take their money as they grow old. So-called senior specialists are hosting seminars, lunches and dinners to lure seniors, boasting expertise in issues important to the elderly and those caring for them, when their training is mostly in marketing and selling techniques, says Patricia Struck, president of the North American Securities Administrators Association. For example, a group that claims to credential "Certified Retirement Financial Advisors" says: *Why chase baby boomers when their parents have all the money? You can be their expert financial adviser and run a marketing machine to fill your waiting room.*

State regulators have opened dozens of cases in the last year involving illegal securities promotions aimed at seniors. Massachusetts securities cops charged one firm with misleading investors after a "certified senior adviser" (a designation conferred after a three-day home course and a multiple-choice exam) steered seminar attendees into equity-indexed annuities—complex insurance products with high commissions, long holding periods and stiff penalties for early withdrawals. The Society of Certified Senior Advisers has not been charged with any wrongdoing.

The feds are stepping up scrutiny, too. The Securities and Exchange Commission has vowed to examine the claims of brokers and advisers, starting in Florida, who lure seniors to seminars or to the proverbial free lunch. "We'll move in hard and fast," says chairman Christopher Cox, if seniors are getting fed a high-pressure pitch for unsuitable products. The SEC also created a Web page aimed at seniors: [www.sec.gov/investor/seniors.shtml](http://www.sec.gov/investor/seniors.shtml).

One relatively new designation holds promise: the Registered Financial Gerontologist, issued by the American Institute of Financial Gerontology. The American Society on Aging, a nonprofit association of professionals who work with older people, is a partner in the institute. Look for the designation in addition to a traditional planning credential, such as Certified Financial Planner or Personal Financial Specialist. Though the two-hour, multiple-choice RFG exam is hardly rocket science, instructors' credentials are impressive. Coursework ranges from long-term-care insurance and Medicaid eligibility to age-related physical, emotional and social issues. You can find an RFG at [www.aifg.org](http://www.aifg.org) or by calling 888-367-8470.

college or searching for elder care, you'll want someone who works with others like you. Friends, family and co-workers are good sources of recommendations, especially if their financial circumstances are similar to yours. Or you can start on the Internet. The National Association of Personal Financial Advisors ([www.napfa.org](http://www.napfa.org)) is a registry of fee-for-service planners. The Financial Planning Association ([www.fpanet.org](http://www.fpanet.org)) is the largest association, with 29,000 members, both fee-for-service and commission-based

planners. The Garrett Planning Network ([www.garrettplanningnetwork.com](http://www.garrettplanningnetwork.com)) is a nationwide network of advisers for the budget-minded. The Alliance of Cambridge Advisors ([www.cambridgeadvisors.com](http://www.cambridgeadvisors.com)) emphasizes ongoing advice with open-ended annual retainers.

## The big picture

**M**IKE BRIGGS, 62, interviewed at least ten candidates—some multiple times—over three years back in the

1990s before settling on Larry Silverman, of BKR Cornwell Jackson in Plano, Tex. Briggs, who lives on the shores of Lake Lanier, outside Atlanta, retired from UPS in 1999, having worked his way up from clerk to driver to regional vice-president. "I retired with what I thought was plenty, then my UPS stock split and went public," he says. "What I retired with became fourfold, and that's when financial planning really became important."

BKR has made a specialty of advising UPS workers since 1982 (although it has no formal relationship with the company). Silverman was remarkable in those heady bull-market days for his conservative, holistic approach, recalls Briggs. Briggs was typical of many retired executives in that his portfolio was concentrated almost exclusively in company stock. Although the benefits of diversification are at times a hard sell with UPS loyalists, Briggs's UPS stake is down to about 50% now and will likely fall to 20% to 25% in the next year or two.

But mostly Briggs was drawn to Silverman's comprehensive approach, which addresses family and quality-of-life concerns along with financial issues. "People are living longer and retiring younger," says Silverman. "They may have enough money for retirement, but they have no sense of purpose." These days, Silverman is in the process of formalizing an alliance with a licensed professional counselor, who can help coach his clients through the lifestyle transition of retirement.

Such an integrated approach is increasingly becoming the standard in retirement planning, says Cheryl Garrett, of the Garrett Planning Network. "Making the decision to retire is enormous. You want a planner to help you go through the process of self-discovery. The money part comes next." That way, your lifestyle drives your financial decisions, and not the other way around. ■