

Presented January 2007

We guarantee it.™

## *Be a Financial Champion*

Recruiting a winning team of  
financial advisors to build wealth




*Developed in association with Nic Ourso and Morris Nichols,  
Tax and Financial Guidance Center, LLC*

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## What you will learn

- why you need financial advisors
- what kinds of financial advisors are available
- what characteristics financial advisors should have
- how to choose qualified advisors



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## Why you need financial advisors

- provide expertise
- manage your short-, mid-, and long-term financial goals
  - manage risk with insurance
  - Investments
  - tax planning
  - asset allocation



In life there are many things you have a firm grasp on, but still many subjects lie outside your area of expertise. Just as you would see a dentist for his or her highly specialized knowledge of teeth, it is wise to seek advice from professionals who specialize in areas such as law, taxes, and financial planning.

Financial advisors should ideally consider your total financial situation and assist in developing a comprehensive plan. This involves taking a "snapshot" of where you are now via a net worth statement, identifying where you want to be financially (e.g., opening your practice, developing cash flow statements, developing budgets, planning for retirement) and developing recommendations to help close the gap between what you have now and what you need to meet your business goals. Financial planners look at short- and long-term financial goals, risk management through insurance, investments, tax planning, and asset allocation.

## Why you need financial advisors

- can look at “complete picture” and help you make educated financial decisions
  - call on specialized experts when needed



Making decisions about one area, such as your business structure (e.g., partnership, corporation, S-corporation), has implications elsewhere such as tax planning and insurance considerations. Working with someone who can give you the complete picture and calling on specialized experts (e.g., lawyers, accountants) when needed has its advantages.

## Possible financial advisors

- bankers
  - provide advice on saving and borrowing
- real estate agents
  - help make property decisions



The following are some examples of financial advisors you may want to consider:

**Bankers** (or their counterparts at credit unions) can help you choose appropriate accounts for your cash and emergency funds. They can also assist you in analyzing your borrowing options.

**Real estate agents** can help you make property purchase decisions and help you make contact with mortgage lenders.

Note: You can often negotiate a lower sale price by employing a buyer's broker who works for you not the seller. If the buyer's broker or the broker's firm also lists properties, there may be a conflict of interest, so ask them to tell you if a property is one of their listings. Many states required the agent to disclose this information.

## Possible financial advisors

- lawyers
  - legal and tax advice
  - may also be certified financial planners
  - several areas of expertise (real estate, family law, estate planning, employment law)



**Lawyers** can help you with certain legal matters involving your practice such as real estate or partnerships. They may also provide advice on the ever-changing landscape of tax law. Some might provide financial advice as certified financial planners. Choose a lawyer with the expertise you need (e.g., real estate, family law, estate planning, employment law).

## Possible financial advisors

- Certified Public Accountants
  - income tax assistance
  - may also be certified financial advisors
  - CPA vs. enrolled agent
- employee benefit counselors
  - retirement accounts



**Certified Public Accountants** and Accountants (and some highly qualified tax preparers) can answer questions about the tax consequences of your impending business decisions, and help you submit your tax return to the Internal Revenue Service. Like lawyers, they may also offer comprehensive financial advice; many CPAs have a business finance specialization. Another recommended tax preparation professional is an enrolled agent, who can represent you before the IRS in auditing matters.

**Employee benefit counselors** can help you with decisions related to any retirement accounts available through your employer.

## Possible financial advisors

- life insurance agents
  - insurance products with investment capabilities
    - annuities, whole life insurance, universal life
- estate planners
  - Accredited Estate Planner (AEP)
  - not qualified to prepare legal documents



**Life Insurance agents** can sell you insurance products (e.g., annuities, whole life insurance, universal life) which have an investment component. Most life insurance agents are trained by the company whose products they sell, and may not be knowledgeable about all investment options available to you. Some may have additional training through the insurance industry and have earned CLU (Chartered Life Underwriter) designation.

**Estate planners** can help build a strategy for asset management at the time of your death. Many estate planners hold an AEP (Accredited Estate Planner) designation but are not qualified to prepare legal documents such as wills, trusts, and powers of attorney—only a lawyer is qualified to do this.

## Possible financial advisors

- investment advisors
  - a.k.a financial consultants
  - advice on securities (stocks & bonds)
- stock brokers
  - sell variety of investment products
  - full-service vs. discount
  - must have NASD license
    - check with Central Registration Depository



**Investment advisors** (a.k.a., financial consultants) can give you advice on securities (e.g., stocks, bonds) and must have a Registered Investment Advisors (RIA) designation from the Securities and Exchange Commission or a state securities agency. Investment advisors cannot sell securities products without a securities license, but being registered does not guarantee competence.

**Stock brokers** may sell you a wide variety of investment products. Large national or regional firms may have special programs for the beginning investor. Brokers may either be full-service or discount. Full-service brokers can provide good financial advice. Discount brokers, who get their name because sales commissions are discounted—sometimes as much as 70 percent—are useful if you know what you want to purchase, but they generally do not offer advice. Stock brokers are licensed by the state(s) in which they buy and sell securities, and they must be registered with a company that is a member of the National Association of Securities Dealers (NASD) and pass NASD-administered securities exams. NASD maintains the Central Registration Depository (CRD) where you can check if your broker is registered to sell securities.

## Credentials

- not required by federal or state law
- best known credential is CFP (Certified Financial Planner)
  - [www.cfp-board.org](http://www.cfp-board.org)
- Chartered Financial Consultant (ChFC)
  - American College in Pennsylvania
- must be registered with SEC or state of practice to sell or manage assets



Though credentialing for financial planners is not required by federal or state law, it is recommended you seek someone who has met certain standards set by well-recognized organizations. The best known credential is CFP (Certified Financial Planner), administered by the Certified Financial Planner Board of Standards in Denver ([www.cfp-board.org](http://www.cfp-board.org)). A Chartered Financial Consultant (ChFC) has successfully completed courses from the American College in Pennsylvania. For financial planners who sell or manage assets, being registered with the SEC or the state where they practice is required.

## Characteristics and qualifications

- financial advisors should:
  - pay attention to your needs
  - explain things until you understand them
  - be someone with whom you feel comfortable



Here are some characteristics to look for and qualifications you should establish in choosing your advisement team.

Financial advisors should do the following:

Pay attention and act on what you say. A financial advisor should always listen to you and respect your chosen degree of risks and objectives. If you feel as though you are not being treated with courtesy and respect, find someone else.

Explain things until you understand them. A good financial advisor will provide you with information and take as much time as necessary to explain a proposed transaction. Remember, it is your investment—you have every right to understand exactly what is going to happen.

Choose someone with whom you feel comfortable. The more this person knows about your financial situation and goals, the better your account will be served. If you feel uncomfortable, you may not give your advisor as much information as needed to properly service your account.

## Choosing financial advisors

- What are your goals?
- review your current financial situation
  - income
  - debts
  - insurance
  - cash reserves
- know your investment capabilities and risks



To select a financial advisor who will best meet your particular investment objectives, have a clear, precise, and realistic idea of your goals and/or specific needs (insurance policy analysis, estate planning, investment advice, college tuition financing, etc.)

Review your personal and business financial situation, including income, debts, insurance and emergency reserves of cash. Carefully consider how much you can afford to invest in your business and how much risk you are willing to assume.

## Choosing financial advisors

- be prepared
  - read personal finance publications
    - Worth, Smart Money, Kiplinger's Personal Finance, etc.
  - become more familiar with financial planning strategies and terminology



Be prepared. Before you contact a financial advisor, you may want to read personal finance publications such as Worth, Smart Money, or Kiplinger's Personal Finance. This will maximize your familiarity with financial planning strategies and terminology.

## Choosing financial advisors

- ask for recommendations from dependable sources
  - successful friends
  - business colleagues
  - other trusted professionals (lawyer, banker, accountant)
- not all advisors will be right for your independent needs



The same care should be taken in selecting financial advisors as in selecting the services of any other professional. To start the search, ask for recommendations from friends who are successful investors, business colleagues, your lawyer, accountant, banker, or other professionals whom you trust. Keep in mind that someone else's ideal financial planner may not be right for you. Your goal should be to find a financial planner who will be able to understand and accommodate your particular investment status and personality.

## Suggested guidelines

- determine credentials
- check his/her experience in the community
- obtain references
  - long-term clients
  - beware of scams



Here are some generally-accepted guidelines for seeking a financial advisor

Determine the advisor's educational and professional credentials. Does the advisor have a general business degree only or specialized training? How much experience does he/she have and is there continued training to stay up-to-date on investment changes?

How long has the advisor been in the business and in the community? A good rule of thumb regarding experience is five or more years of previous experience as a broker, insurance agent, accountant, or lawyer. It is sometimes safer to deal with those individuals you either know or can check through reliable references.

Obtain references from three or more clients the financial advisor has counseled for at least two years. Secure the names of several long-term clients and ask about their level of satisfaction, investment returns, and intention to stay with the advisor. Avoid financial advisors who pressure you to rely on the word of one or two clients. Someone promoting a scheme may line you up with one of a handful of early investors who are paid off in order to lure new investors like you.

## Suggested guidelines

- find out who will be handling your account
  - may turn you over to a junior associate
- request examples
  - Does his/her past work meet your current needs?
- membership in industry groups
  - may/may not indicate level of dedication



Determine who will be handling your account. If your financial advisor will be turning over all or most of the day-to-day work on your financial plan to a junior associate, then you should take the time to check out that individual as well. Do not rely on the reputation and credentials of one person if another person will do the actual work.

Request examples of plans and monitoring reports the financial advisor has prepared for other investors. Make sure these documents meet all of the financial plan criteria that would be important to your investment decisions. The advisor should adhere to an investor's goals and amount of risk assumed.

Ask to which trade organizations the financial advisor belongs. Membership in industry groups that provide training and membership services may indicate a planner's dedication to the profession. Verify if the organization has educational or job experience requirements, or only a membership fee. Look for broker/investment advisors who belong to NASD (National Association of Securities Dealers) and SIPC (Securities Investors Protection Corporation).

## Fees and commissions

- find out how the advisor is to be compensated
  - fee only
  - fees and commissions
    - how much commissions are paid on what products
  - commission only



Ask the financial advisor exactly how he/she will be compensated.

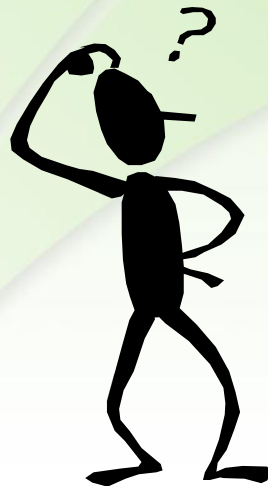
Advisors are compensated in on of the following three ways:

1. by fee only for hourly work or by the project
2. by fees and commissions – a fee for planning and commissions for implementation
3. by commission only for product sales.

All three compensation methods have advantages and disadvantages. Select the method that you prefer. Remember, the advisor has a legal responsibility to disclose the forms of compensation throughout your relationship.

## What you have learned

- why you need financial advisors
- what kinds of financial advisors are available
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**Now What?**

## For more information

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