



Choosing Financial Advisers

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Do you know what your financial goals are? Do you need basic investment advice, specific investment advice, or comprehensive financial planning services? If your financial affairs are disorganized and without direction, financial advisers can help you measure where you are now and design a plan with options to meet your goals. A financial professional is someone you can rely on for direction.

Many people use a combination of advisers to help handle a variety of financial questions. You may need help with risk protection, debt management, investments or retirement planning. Every individual or family is in a unique financial position. Therefore, any course of action must also be unique. Obviously, what is "right" for your neighbor may not be right for you. You need someone trustworthy who can provide guidance to help you handle financial situations.

Determining Needs

Before starting your search for a competent adviser, follow these four steps to become better prepared:

1. As realistically as possible, determine your financial needs and goals. The more you know about your situation, the more likely you will be to select the appropriate adviser.
2. Check the conclusions about your situation with someone who is familiar with your financial status.
3. Become familiar with various investment options. Talk with friends and relatives about their financial plans. Remember, their suggestions may not be right for you.
4. Learn about the various types of financial advisers and the services they offer. Start your search for an adviser by getting names from friends and relatives. Professional groups can provide you with name referrals.

Before consulting an adviser know what type of advice and information you want and need. Assemble facts in advance about your financial situation. The information needed is a list of your



financial goals and data of family income, debts and assets. The more prepared you are, the better and less costly the help of an adviser can be.

It is important to realize that some financial advisers are biased because they sell investment products or services. Their financial advice is slanted toward the products or services sold by the firm they represent. It is in the best interest of the financial adviser working for a financial firm to sell products or some service from which a commission is earned.

It is important for you to develop a knowledgeable background in personal finance. Then you can decide whether the financial advice given by the adviser coincides with your economic situation and self-interest.

Where Can You Obtain Advice?

Providers of financial services include accountants, attorneys, bankers, financial planners, insurance agents and stock brokers.

Accountants can advise you about how much risk you can afford to take and the tax result of any

financial decision. They can provide advice on how to defer income, qualify for tax deductions and reduce tax liability. Like lawyers, accountants do not know about all aspects and types of financial services. Some accountants have the letters, CPA used after their name. These letters represent certification as a Certified Public Accountant.

Attorneys may know the legal and tax implications of your investments, but in general cannot advise you on which investments to make. A lawyer may be necessary in certain investments, but not as your primary financial adviser. They are the only professionals that can resolve legal and property transfer problems and prepare wills and trusts. Lawyer's fees are high so you will want to have specific questions ready to ask about trusts, property transfer or estate planning.

Bankers. The starting point for beginning investors who want to learn more about financial options is to talk with an officer in a bank, savings and loan or a credit union. They can help you select appropriate accounts for your cash and emergency funds. Banking services differ from bank to bank. If a bank has been granted trust powers by the State of Oklahoma, it can manage trust funds. Bank trust departments are usually conservative investors. A bank may also serve as an executor of a client's estate.

Financial planners take a broad view of your financial situation and design an overall strategy to help you meet your financial goals. Financial planners go beyond advice about investments to purchase. They may offer advice on insurance coverage, investments, tax planning, retirement planning and estate planning.

Fee-only planners charge a stated amount or hourly fee for their service. Flat fee financial planners prefer to deal with families whose income exceeds \$70,000. Other planners charge no fee but earn a commission on the investment products they sell.

Insurance agents serve as advisers to families about risk management. Insurance is an important tool in family risk protection. Agents, also, offer a few investment products. Independent insurance agents can select one company from several that fits your needs. An exclusive agent represents one company and is limited in what the company offers. They can advise you on your insurance needs and how their company fits those needs. However, when your needs do not match the offerings of the company, the exclusive agent has no other insurance options. Before consulting with an insurance agent, make sure the company he or she is affiliated with is licensed by the Oklahoma State Department of Insurance.

Stock brokers. The terms registered represen-

tative or registered investment adviser (RIA) are brokers licensed to buy and sell stocks, bonds, mutual funds, government securities and other investments. Brokerage firms often use other titles, such as account executive or investment executive. Beginning investors will probably want to consult a broker at a large national or regional brokerage firm. Most national and regional brokerage houses have research departments that provide reports on investment options. Brokers charge a commission based on the total dollar value of the transaction. If the adviser is a broker, expect to be advised to buy common stock in a company.

Discount stock brokers buy and sell stocks, bonds and some other investments. As their name implies, their commissions may be 30 percent to 70 percent less than other brokers. The main reason for lower fee is that they will not provide research reports on stocks nor will they discuss investment strategies and options with you. Discount brokers are useful when you know what investment you want to make.

Brokers doing business in Oklahoma are required to register with the Oklahoma Securities Commission. To confirm that a broker is registered call 405-521-2451.

The chart "Source for Financial Information" on page 3 will help you determine where to go for financial advice.

What Do the Letters Mean?

Some financial planners and advisers may have letters used after their names such as CFP, ChFC or CLU. These reflect training or certification by different groups. The letters indicate the planner has taken courses and passed exams that certify him or her in a specific area.

A certified financial planner (CFP) has completed study in risk management, investments, tax planning, retirement planning, employee benefits and estate planning. A chartered financial consultant (ChFC) takes correspondence courses in investments, real estate and tax shelters. This certification is an outgrowth of the chartered life underwriter (CLU) program. A person with CLU certification completed an extensive study in insurance.

Letters after a name do not insure you will receive competent advice. They only show the planner has taken time and effort to receive education in the financial area.

What Do You Compare?

Buying financial advice is much like buying any consumer product. Check with several financial

firms before choosing a financial adviser. Consider the following points:

- What is the adviser's **questioning technique**? Does he/she ask in-depth questions about your current financial situation, your goals, your preferences for risk?
- Does the adviser **take time to explain investments and their risks**? Be certain your questions are answered. If you feel uneasy with an adviser, look until you find one with whom you feel comfortable.
- Is the adviser **familiar with recent tax laws**?
- What **kind of services** does the adviser offer? Some advisers are consultants — they offer information and advice. Others will manage your investments and act on your behalf. Still there are some who are in the middle. These advisers provide information when you ask. Also, they let you know when a good investment comes up.
- Does the adviser have a **wide range of investment products and companies** from which to choose? Does the adviser have any biases and if so, how do those biases fit with your needs?
- For those who sell investments, what **sales technique** do they use? Beware of the “now-or-never, once-in-a-lifetime” approach. Good investments will always be available. Avoid financial advisers who give you few or no alternatives. Pressure to invest in certain investments is a warning to seek another adviser.
- What kind of **knowledge** and **experience** does the adviser have? Ask about the educational

background and training of an adviser. Memberships in professional organizations help keep your adviser up-to-date on a variety of subjects. Length of time in business is a good indicator of experience.

- Ask questions about the adviser's availability to assist you. Inquire about his or her clientele and fee structure.

What About Fees?

Be prepared to pay for the advice you receive. Some advisors work for a fee only, some work on commission and others combine commissions and fees. Select an adviser who either sells a variety of products and investments or one who offers only advice. When income depends on sales, financial advisers who handle few types of investments may be biased when recommending investment options. Before making a commitment to a financial adviser, decide if the time and money is justified. While your adviser's compensation is an important consideration in your deliberation, the most important is competency. Will he/she do the job you expect to be done? High fees are not indicators of the quality of advice you receive. Be sure to agree on the fee in advance.

The Choice Is Yours

Finding the financial adviser whose talents and resources fit your needs may require an investment of time and effort on your part. However, it is an investment that can pay dividends.

Source for Financial Information

	Accountant	Attorney	Bank Trust Officer	CPA	Enrolled Tax Agent	Financial Planner	Insurance Agent	Stock Broker
Cash Management	x					x		
Estate Planning	x	x	x	x		x	x	
Investment Planning	x		x	x		x		x
Mutual Fund Purchase						x		x
Retirement Planning	x	x		x		x	x	
Risk Management						x	x	
Stock Purchase and Sales						x		x
Tax Planning	x	x	x	x		x		
Tax Preparation	x			x	x			
Trusts	x	x	x					
Tax Problems		x	x	x				
Will Preparation		x						

Schedule an interview with several advisers. An adviser should be willing to spend some time with you at this initial meeting at no charge. Inquire about fees when you make the appointment. Remember these key facts about interviews. You are interviewing the advisers; they are not interviewing you. You are deciding if you should employ them; not the other way around. It is your money and your future at risk. Most important, ask for references of former clients and current ones. Then, follow up by talking to these people.

Reaching your financial goals is like a road map. Often there is more than one route to take. There are several ways to reach your financial goals and advisers will suggest different investments. It is important the adviser be honest, straightforward and provides good services. The decision rests with you. Financial advisers can guide you, but you must choose the route you want to take.

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