A CONSUMER AWARENESS GUIDE

HOW TO CHOOSE AND WORK WITH A FINANCIAL PLANNER YOU CAN TRUST

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Before You Start Looking

You've decided to look for a financial planner, and you'd like to get started right away. Before you do, there's some important preparation that will help you make an informed decision, and avoid a potentially costly mistake.

Your potential advisor will ask you what your plans and goals are, what you're currently doing, and what your financial state is like today. You want to be able to answer authoritatively and with certainty. You don't want to feel unsure or insecure about your lack of knowledge. Putting your trust in a financial advisor who simply seems more confident than you are is a bad beginning to the relationship.

Raise your level of confidence, and ask yourself a few questions that will make you a more informed client. This knowledge will help you to determine whether the financial planner's guidance fits with your idea of your financial state and goals, or whether you are mismatched.

Here are a few ways to increase your confidence, confirm what you're looking for, and get you to a place where you can determine whether this specific financial planner can really help you.

Make a Commitment to Yourself

Many of us would prefer to think about our finances as little as possible. It's an uncomfortable subject, sometimes even sensitive, and it's frightening to think that you might not be prepared for the future. Perhaps you'd rather have a financial planner who promises to "handle everything" without your involvement.

Here are the bare facts: if you don't know why your financial plan works the way it does, you're at the mercy of your planner—and that's never a good idea. When your advisor makes a recommendation, you should be able to understand it and make an informed decision.

The payoff for being involved in your own financial planning is immense. Fewer than one in five Canadians currently has a comprehensive financial plan, and even fewer work directly with their planner.

Those who do, however, are worth more, have more assets and investments, and have a more positive emotional outlook.

They feel more comfortable and closer to achieving their life goals.

That's right. Being involved in your financial planning is actually less scary, better for your health, and more fulfilling than not being involved.

Sounds like a pretty good reason to start working with a financial planner, doesn't it?

Set Tangible Goals

Every financial planner has (or should have) a different area of expertise, and most of them will be able to recommend specific plans based on your goals.

Write down the following questions and your best answer to each of them:

- What income are you hoping to maintain throughout your retirement?
- At what age do you want to retire?
- Where do you want to live when you retire?
- What do you want to be able to do during your retirement?

Those questions are probably quite easy to answer, but try these on for size:

- What is your attainable retirement income?
- What is the required rate of return to sustain your retirement income?
- Which investment solutions are best suited to accomplishing your goals?

Chances are, you won't be able to answer those questions. A good financial planner can—and will be able to explain why, as well.

Set Personal Goals

Your personal goals are almost as important as your tangible goals. These goals are specific to you and your personality. You may be willing to make semi-risky investments if the payoff is good enough. Or you may be much more comfortable with slow, steady growth, even if it means setting aside more money each month.

Write down specific personal goals for your financial plan. For example, "I would like to continue travelling once a month," or "I am not willing to take major risks." You can phrase these however you like; no one will see this list but you. It's important to understand your needs and priorities—what would be ideal for you.

Your financial planner may or may not be able to work within your comfort zone, depending on what those goals are, but your advisor should be able to offer suggestions that fit with your desires. If not, your advisor should be able to explain why not. For example, your financial goals may not be attainable without violating a few of your personal goals, but your advisor should offer suggestions to resolve that conflict and give you alternatives.

Your personal goals should also include preferences about your financial advisor's personality. Would you like someone who is friendly and easy to get along with? Someone who communicates well and often? Someone who is good at sharing difficult news without scaring you? Again, phrase it however you like; you'll know the answer when you see it.

Identify Your Personal Deal-Breakers

You should now have a list of tangible goals and a list of personal goals, including a sub list of preferences for the kind of financial advisor you're looking for. It's time to decide which of these items are absolute deal-breakers for you.

Some of your goals will be negotiable. Maybe your financial advisor doesn't need to be friendly as long as they're professional and prompt. Maybe you'd be willing to discuss the amount of money you need to put aside each month. Maybe you're not sure whether you really need this one goal, but a friend has insisted that it's absolutely essential and you'd like to verify that.

Next to each item on your list, write down one of three things: "don't care," "negotiable," or "deal-breaker." Everything that falls into that deal-breaker category should be a big red flag for you if you find a financial planner unwilling to meet those needs.

Armed with this list, you'll be able to quickly eliminate poor candidates, often before you ever meet them.

Personal deal-breakers should be included in your list of overall deal-breakers, and between the two you should be able to eliminate all the financial planners who absolutely will not suit you, leaving you with only extremely strong candidates.

The Hunt

You definitely shouldn't work with the first financial planner who comes along. Build a list of potential candidates who you can then research thoroughly. Cast a wide net at first, and make a fairly long, extensive list. Don't worry if you don't know anything about some of these candidates—we're going to narrow them down considerably.

For now, though, don't edit. Just write down everyone who falls into the category of "financial planner." But where do you start?

Where to Start Looking

Good places to start looking for potential financial planners include:

- Your friends and family
- Your social network
- Your colleagues and financial experts (for example, your accountant probably knows of a few financial planners)
- The Financial Planning Standards Council of Canada (click on the "Find a Planner" section)
- MoneySense.ca
- Online reviews and forums

Once you have a working list of candidates, do a bit of online research to determine who is worth keeping on your list. Most of your candidates will have a website; see what they say about themselves and the approach they're taking to financial planning. Which ones do you like?

If they have free guides or downloads, go ahead and sign up for them—those are generally good indications of how this financial planner will approach working with clients overall.

If you have any initial concerns that would automatically eliminate a candidate (if they don't work with the type of investment you have in mind, for example), give them a quick call and ask that question over the phone. You can eliminate a lot of candidates who look good on paper by simply asking whether they can handle your type of finances.

Jumping the Gun

It's easy to get convinced to choose a candidate before meeting them in person because they sound so great on their website. I've had more than one client tell me that they chose their financial planner because a free online financial plan was offered, which seemed like a fantastic deal.

The free financial plan is a huge red flag for me, and here's why:

Financial planners earn their keep by creating a working financial plan for their clients. If they give away a financial plan that requires no participation from them, how are they earning money?

Usually, the answer is that they're earning it through investment recommendations, which means they're motivated by a personal payout for those recommendations. Those planners are not working in your best interest when they recommend an investment; they're working in their own interest.

And that's hardly ever good for you as a client.

It's not bad for a financial planner to give away something for free. If I thought differently, I wouldn't be giving away this free report, would I?

The problem is when financial planners give away a plan that *should* require their expertise to best serve each client. You can certainly give away a free financial plan that helps your clients get an idea of their position, but planners should also offer a more complete, expertly analyzed and assessed financial report that requires their full participation to tailor it to your individual needs.

If a planner you're considering doesn't do this, seek out a financial planner whose advice is actually worth something.

Choose Your Top Candidates

At this stage, you may still have a fairly long list of candidates, but the odds are good that a few have risen to the top. Either you've heard good things about them, their websites made you think they're a good match for you, or you liked their free materials so much that it gave you faith in their abilities.

Narrow your choices down to five or fewer candidates, and call around to set up an initial meeting. That first meeting will separate the good from the bad very quickly.
Let's delve into the all-important initial meeting.

The First Meeting

No financial planner should pressure you to make a decision during the first meeting.

Period. No exceptions.

Financial planners who try to rush that decision are trying to get you to agree to their terms without considering any alternatives. This is the sign of a planner who isn't confident in their abilities, compared with other planners.

If you're asked to bring copies of all your investment statements to your very first meeting, that's a warning sign that you're also going to be pressured to sign a contract and hand over your financial affairs—or at the very least, make a commitment—before you've had a chance to think it over.

A first meeting should be a "get to know you" meeting. You'll tell the planner about your finances and your goals, and the planner will explain the process and make some very general recommendations.

A good planner will want to get an idea of your personality, your commitment to your goals, and whether you have realistic expectations. You'll want to do the same: see if this person matches your list of personality preferences for a financial planner, and inspires your confidence.

Trust your gut on the first meeting. If you simply don't like someone, you'll never trust them fully with your finances, even if there's no tangible reason why you shouldn't. You want a planner you enjoy working with—if someone rubs you the wrong way for whatever reason, move on to the next candidate and cancel your second meeting.

The Big Deal-Breakers

There are four major deal-breakers when it comes to choosing a financial planner: the second meeting, the Letter of Engagement, the client reviews, and the financial plan. If your potential candidate disappoints you in any of these categories, don't look back—move on. You'll be grateful you did.

The Second Meeting

At the conclusion of your first meeting, ask to schedule a second one. Your financial planner should know that this is part of the normal process of winning a new client: the first meeting is a "get to know you" meeting, and the second is meant to be a more in-depth discussion of your financial status and how you'll be working together.

Financial planners who are serious about committing to new clients and giving them the attention they deserve are happy to schedule a second meeting. The planner will likely request a list of information from you in preparation for discussing your finances on a more in-depth level during that second meeting.

If your financial planner pushes you to commit at the first meeting, or refuses a second meeting, that's a bad sign. If there's no time for a second meeting, how much time are you likely to get when you're a client? If the planner refuses the meeting, simply shake hands, thank them for the meeting, and move on to the next name on the list.

The Letter of Engagement

After you choose your preferred planners for a second meeting, ask for a Letter of Engagement to review. A planner who doesn't provide one isn't in compliance with Certified Financial Planner (CFP) licence requirements, which are designed to protect consumers. That should send you out the door right away.

The Letter of Engagement lays out the details that you've discussed in your meetings, which should give you an idea of whether this planner will be attentive to your needs and provide prompt expertise on your investments.

While not all great financial planners are licensed (more on that in a moment), all good ones will offer a Letter of Engagement. Certified planners are required to, which means that if a CFP licensed planner refuses to give you a Letter of Engagement, you're dealing with someone who does not honour their obligations, and you are better off looking elsewhere.

Client Reviews

It's an unfortunate fact that so-called experts in every industry may lie to make themselves look better. Financial planners are no exception. You may be told that a planner has pulled off amazing coups for their clients in the past, and you'll be excited that you could see that kind of return on your investment if you entrust this planner with your finances.

It's usually best to get that success story straight from the horse's mouth, however. Which is why you want to talk to the clients.

Ask any potential financial planner for some previous clients of who would be willing to talk to you about their experiences. A legitimate expert with a stable of clients who are very happy with their work should have no trouble giving you a few phone numbers or email addresses to contact.

If not, this means one of two things: 1) this planner doesn't have a good enough relationship with any clients to ask for an endorsement, or 2) the planner doesn't want you to discover that their story doesn't match up with the client's. Either is bad news.

The Financial Plan

Every professional planner, whether certified or not, should take every client through a disciplined financial planning process. The plan will be adjusted to the individual, but your planner should have a system for gathering all the necessary information.

Some financial planners will have several different types of plan—our firm, for example, offers different plans for clients in various financial stages, and for those in specific circumstances, like business owners. Your potential planner should have a plan prepared and be able to briefly explain how your finances would fit into it.

The financial plan is non-negotiable. Every professional will have one and it will form the core of your relationship. Hiring a financial planner who doesn't have a financial plan is like hiring a carpenter who doesn't own a hammer: if they were doing their job properly, they would always have one at hand.

The Non-Dealbreaker

Here's a bit of news that may shock you: a survey by the Financial Planning Standards Council of Canada in 2010 found that 70.8% of people who were working with a financial planner discovered that their expert had no official certification at all.

Those planners weren't breaking the law. You aren't required to have certification to call yourself a financial planner. But most clients assumed their planners had been independently evaluated, and would have asked for more proof of their competence had they known the planner was unlicensed.

There are good financial planners out there without CFP licenses, and they should be straightforward about whether or not they are licensed and why those who aren’t believe they’re qualified to give expert advice.

Ask your financial planner if he or she holds a CFP license. If not, ask why—and listen carefully to the answer. If they have lots of experience and the results to show for it, a lack of license isn’t a deal-breaker—although a licensed planner is definitely preferable.

Playing It Safe

Now you have a shortlist: candidates who meet all your requirements, who don't have any of the deal-breakers, and whom you like enough to schedule a second meeting. You'll probably make a final decision at that second meeting (but you should schedule a third if you're not absolutely certain), so you should double-check a few things before it occurs.

These double-checks are a way of playing it safe. Your candidate passes muster professionally, and you know that you like them personally well enough that you can see yourself working with them. What you're looking for now is any evidence that this is a very talented swindler: someone who is personable, knows all the right answers to your questions, but has completely mismanaged clients' finances in the past.

It's unlikely that your candidate will fall into this category, but like the title of this section says: let's play it safe, shall we?

Call Your Client List

You remember the list of clients you asked your potential financial planner for? It's time to give those people a call.

It can be slightly uncomfortable to contact a stranger for their opinion, but your financial planner won't recommend people to you who won't like being called or who aren't happy to give a review. They should be able to tell you how much attention they received, how thoroughly the planner researched their options, and whether they achieved the goals they set.

That said, be considerate of people's privacy. Don't ask their specific income, for example; simply ask whether they achieved the goals they set and if the financial planner was able to work within their personal limitations. If the client chooses to get specific about the money, that's their prerogative; yours is to be respectful of what they may or may not wish to disclose about their finances.

Be sure to ask "why?" Some people aren't as clear with their reasons for satisfaction or dissatisfaction as they could be, and what they considered a turn-off might be exactly what you're looking for.

Let's say one client didn't like the financial planner's constant updates; he found it annoying. You may think constant communication is a great trait in a financial planner, but if you don't ask him why he didn't like working with that planner, you'll never know that this client's negative is actually a positive for you.

Ask Your Social Network

Social proof goes a long way these days. The nice thing about getting client reviews directly from your financial planner is that they can pave the way for an introduction and you can have a fairly lengthy chat to get all your questions answered.

That said, a planner going to point you to their most satisfied clients —naturally. It's only logical for any business owner to direct you to happy customers rather than unhappy ones.

Looking online will tell you whether the number of unhappy customers is absurdly high. The reasons they were unhappy should give you plenty of warning signs.

Ask around on Facebook, Twitter, or LinkedIn about this financial planner. "Does anyone have any experience working with John Smith? I'd love to hear your thoughts." Do a quick Google search to see if any unfavourable reviews pop up—and get especially concerned if you see multiple people with the same complaint.

Take it all with a grain of salt, since reviews online are more likely to be unfavourable than favourable (people get excited enough to review when they're upset, not when they're content). That said, if you see multiple people saying this financial planner invested poorly or didn't give them very much attention, that should be a warning that you may be in for the same experience.

Good financial planners these days often actively encourage public review of their work, so if you see that your financial planner has several social media portals open, it's a good sign that they're confident of a positive reception online—which implies that their clients are happy with the service they've received.

Four Steps To Get the Most out of Your Financial Planner Relationship

You've made your choice and found a wonderful financial planner who makes you feel fantastic about your future. Now it's time to get that relationship off to a great start by establishing that you're the kind of client who knows what they need. These four steps should take you a long way toward getting the personal attention and consistent communication you need from your financial planner.

Establish Lines of Communication

Everyone has different standards for how often they'd like to be updated on their financial plan's progress. You should speak to your financial planner up front about when you can expect reports, analyses, and recommendations on changes you might wish to make to your plan.

Put those dates down on a calendar and make sure you follow up. If your financial planner consistently misses promised dates for reports or analysis, it may be a sign that you're not getting enough attention as an individual client.

Stay True to Your Commitment

Your financial planner should be working hard to hold up their end of the bargain: recalibrating your plan each year, finding the right investment solutions for you, monitoring them closely, and giving you regular reports on how they're performing and whether any changes are recommended.

Meanwhile, you've also made commitments as to how much you're putting aside for your savings, in your RRSP and in other investments. You've made commitments to monitor your spending and report to your financial planner if anything changes. You have every right to hold your financial planner accountable—but your planner needs you to hold up your end of the bargain.

Automate Your Success

Keeping your financial goals in plain sight is an excellent way to make sure you stay committed, particularly when it comes to savings. If you're not used to sticking to a financial plan, it can be difficult to remember to follow the steps to your goal

—and usually the first couple of weeks are the hardest.

While you're new to your personalized financial plan, give yourself as many visual reminders as possible of what your goals are and how you intend to stick to them. You can also make lists of any changes that you need to make—for example, if you're increasing the amount of money you save each month, you might set up an automatic transfer from your bank to keep you on track.

Keep No Secrets

Many people find that once they've hired a financial planner, they progress faster than expected and are suddenly able to spend money "without guilt." That heady feeling of being completely in control is addictive, and it can change your behaviour in potentially dangerous ways if you don't watch out.

For example, you may want to start upgrading your lifestyle: buying a new car, investing in a vacation home, or picking up a new hobby that requires expensive lessons and gear. That's all good fun, and you should feel free to indulge a bit if you find you can afford to, but keep your financial planner abreast of these changes so they can be incorporated into your plan.

Your planner may even be able to use your new spending habits to your advantage, getting you to your goals sooner than you'd hoped. But to do that your planner needs to know what's going on, and keeping them in the dark will almost certainly have a negative impact on your plan.

Here's What To Do Next...

1. I can't let you go empty-handed:

So, when you are ready to have your first meeting with a financial planner, I'd like to provide you with a free guide to help make sure you don't lose your way. Email me and I will send you a FREE companion report— "12 Key Questions You Must Ask A Financial Planner…Before You Hire One!" This must-read report will provide you with industry insights that some financial advisors will wish you never knew.

2. Let's have a chat:

Email me and I will send you a link to see my calendar through our online scheduler. Then, select a time that works for you. The scheduler will book our time and send you the call-in details.

3. Let's get together:

If you would like to get together for a free, no-obligation information session, please email me and we'll coordinate a time to connect.

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About the Author

Scott's passionate belief in the power of a written financial plan, as well as his commitment to independent advice, led him to start his own firm in 1993, where he is Senior Financial Planner & CEO. By following the principles of financial planning in his own life, Scott has proven to himself beyond a doubt the power of the process. This disciplined process became the KAIZEN Financial Planning Process™.

Thanks to his ability to think "outside the box," Scott gets to the heart of a client's issues and concerns about their personal finances, allowing them to progress beyond their perceived limits. His enthusiasm and genuine desire to bring order and success to this often-tangled, sometimes-neglected area of a client's life, as well as his ability to explain complicated strategies in plain English, have built a loyal and satisfied clientele.

Scott specializes in working with successful business and career-oriented individuals, helping them to achieve success with their personal finances without sacrificing their leisure and family time. To streamline the needs of his personal business-owner clients, Scott ensures a complete co-ordination of their business and personal affairs. Through a vigorous study program, Scott attained the Chartered Financial Planner designation. In addition to this designation, Scott was among the first to receive a Certified Financial Planner™ license in Canada.

Scott also maintains a commitment to continuing education, realizing that in today's marketplace, change happens quickly. As client needs evolve and change, so too do new investment products, new insurance strategies, and changes to the Income Tax Act. Scott keeps on top of all of this to continually add value to his client relationships.

Scott has become a one-stop resource in his clients' financial lives. He has referral relationships with lawyers, accountants, real estate professionals, and mortgage brokers, to name a few.

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