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How to interview a potential planner

Know what questions to ask, and when it's time to move on

By MoneySense staff | Online only, 4/10/10



Once you've narrowed your financial planner search to three candidates, you'll want to arrange a little face time. A simple half-hour interview can be very revealing. Not only will you find out exactly what service each planner offers and how much it costs, you'll also get a sense of how well you interact with each—and how much you trust them.

Each planner will likely ask you to bring your financial records to the initial consultation. But Scott Plaskett, a fee-only planner and founder of Ironshield Planning, says they shouldn't require every

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little information slip. “If you get a request to bring in all your detailed investment statements be forewarned,” he says. Rather than requesting an overly detailed account of your investments alone, a good planner will want a broad overview of all your current debts and assets, along with a summary of your future goals and any anticipated major life transitions. “It’s the big picture that helps me understand what you want to accomplish and what issues and concerns you may have.”

In the initial meeting a planner may steer the conversation by asking specific questions—or he or she may allow you to take control. Either way, the planner should do more listening than talking. “Financial planners are happy to answer questions—even a long list of questions—because they want the next planner you choose to be the last planner you need,” says Rob Abboud. Most importantly, you should know what you want from your planner, and express it clearly. Are you looking to achieve particular goals such as getting out of debt? Or do you just want some help with choosing your investments?

6 questions to ask your adviser

Not sure what to ask when interviewing a potential planner? These six questions will help you find a good fit.

What designations do you hold?

Your future planner should hold a Certified Financial Planner (CFP), a Registered Financial Planner (RFP) or a Personal Financial Planner (PFP) designation at the very least. You should also ask how he stays current with recent developments in taxation and finance.

How do you get paid?

It’s worth paying good money for good advice. But if your planner cannot quickly and confidently describe how he is paid, then keep searching.

Can you show me a sample financial plan?

You want to verify that the adviser will compile a plan that includes all the essential elements, including: a summary of your goals, cash flow and net worth, investment

recommendations, a retirement plan, insurance suggestions, an estate planning checklist and overall recommendations. Otherwise, you may miss an important detail that could derail your dreams.

What is your investment philosophy?

Does your planner specialize in a particular investment strategy, such as balanced mutual funds, indexing or dividend investing? It's important to ensure that he actually has a strategy, and that it's one which he can clearly communicate and stick to.

What is your target client profile?

Does your planner focus on conservative investors, high-net-worth clients or the self-employed? While you don't have to be a perfect fit, it helps to find a planner who is familiar with advising people in your situation. It's also important to know whether the planner is working with too many clients, as she may not have time to devote to your needs.

Do you work with a network of professionals?

If you are interested in a comprehensive financial plan, rather than an investment strategy, you may require the expertise of a lawyer, accountant, or insurance professional. Make sure the planner's network of professionals don't receive hidden referral fees.

During the interview, find out if a planner has a formal letter of engagement, suggests Plaskett. This outlines, in writing, what the planner will do for you and how much it will cost. Also ask how the planner stays in contact with his or her clients. Annual meetings are the bare minimum, and many advisers offer quarterly or monthly contact through email newsletters, clipped articles or even regular updates through Facebook. "You want to be sure that the adviser is proactive about keeping abreast of current market conditions, and proactive about communicating with you about these conditions," says Preet Bannerjee, a former financial adviser and the founder of WhereDoesAllMyMoneyGo.com.

Another key question to ask is what the planners charge for their services and how they are compensated. The way a planner answers is just as important as what the answer is. "Good financial advice costs money," says Plaskett, so you want someone who is up front and candid about how he or she is paid. If a planner is paid through commissions from mutual fund sales, ask what percentage



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of your money goes to the planner each year, as well as whether there are front-end loads or deferred sales charges.

During the initial meeting, ask to see a sample financial plan. It should include detailed strategies for reaching goals, such as early retirement, as well as an investment policy statement. This statement outlines what the overall strategy of the investment portfolio is and includes details on how the performance will be monitored. If the planner focuses on investment products without offering a plan, “steer clear,” says Plaskett. You’re dealing with more of a salesperson than a planner. “You wouldn’t want a doctor you’ve never seen before to give you a prescription—similarly, you shouldn’t work with an adviser who only sells products.”

Check their credentials

It’s important to verify the credentials and credibility of your planner. Outside of Quebec, anyone can call him- or herself a financial planner, and they don’t have to be registered.

The quickest way to check out a planner is via [Google](#), says Preet Bannerjee, a former financial adviser and founder of [WhereDoesAllMyMoneyGo.com](#). It’s not a foolproof way to check the credentials of a planner, but it’s a good place to start looking for red flags, such as an investigation or arrest for fraud.

Visit regulatory websites and search for your adviser.

Canada’s [Investment Industry Regulatory Organization](#) has an online tool that allows you to enter an adviser’s name to search for disciplinary actions. Provincial securities regulators also let you check registrations, and they provide warnings about questionable companies and salespeople.

Don’t limit your search to reported problems, says Bannerjee. Investigate any unusual moves or if there’s a blank spot on your planner’s résumé. “It’s unusual for a financial planner with experience in a certain geographic area or specific specializations to make a sudden change.” While the reasons could be innocent, any gaps should prompt more questions from you.

If you already have a planner, and you decide to switch to one of the new candidates, remember that this is a business relationship, so it’s important to put your financial health first. “People move



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from one planner to the other because their needs evolve,” says Plaskett. “As their needs evolve, the type of planner they require also evolves.” In other words, switching advisers doesn’t mean your current planner has done a poor job, it may just mean you need access to services your current planner doesn’t offer. The transfer should be relatively simple and starts with a simple signature—your new planner will then notify your current adviser of the change.

Finally, while your choice should mainly be based on how well the candidates can meet your needs, it’s important to have a planner you can talk to as well. While asking questions, be aware of how the candidates treat your inquiries. Do they talk over you? Do they evade certain questions? How they treat you is just as important as what they say. “The simple rule is that if you don’t click with the planner, you shouldn’t hire them,” says Abboud. “It’s as simple as that.”

10 warning signs

If you spot any of these signs in a potential planner, it may be time to move on.

1. **Lacks basic credentials** (CFP, RFP or PFP), or has limited experience.
2. **Makes you uncomfortable.** Trust and comfort are essential to this relationship, as you will be sharing very personal information.
3. **Lacks transparency.** You don’t understand how he gets paid or what he wants you to invest in, or both.
4. **Is in a rush.** Your planner should be able to promise that she’ll see you for a relaxed meeting at least once per year.
5. **Won’t listen.** If your planner talks over you or doesn’t let you speak at all, how will he meet your needs?
6. **Imparts her investment philosophy on you, rather than working to achieve your goals.** For instance, you may feel pushed to aim for 9% returns, when you would feel more comfortable getting lower returns with less risk.
7. **Is disorganized.** If the office is a mess or your planner doesn’t take notes, it’s not a great sign.
8. **Promises unrealistic returns.** Be very cautious of any planner who says it’s

realistic to expect returns of 8% or higher per year without taking on a lot of risk.

9. **Always seems to be pushing product.** Does your planner try to convince you that one particular product is the solution for all your needs? You want a planner with access to a wide variety of low-cost investing and insurance solutions, so he can find the right one for you.

10. **Can't explain concepts clearly.** If you can't understand what your planner is telling you, it's likely because he doesn't really know what he's talking about. Steer clear of advisers who can't explain investment concepts or strategies for achieving your goals in a clear and concise manner that makes sense to you.

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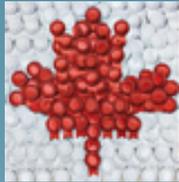
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