

## [ B.E. BASICS ]

## BEWARE OF DECEPTIVE FINANCIAL ADVISERS

Choose wisely when hiring planners

here's good reason to check out a financial planner before you sign on for his or her services. In fact, Melanie Senter Lubin can point to a few hundred of them.

Lubin, a commissioner in the securities division for the Maryland attorney general's office, which investigates financial and securities firms accused of fraud and regulates investment advisers, says that in fiscal year 2005, about 25% of the 1,300 incidents her office investigated involved claims against advisers.

"We think planners serve a critical function in helping you invest, save, plan for retirement, and more, but it's a good idea to pay attention from the start," she says. "There's always someone out there trying to separate you from your money."

There are different types of financial professionals. Before you start looking for financial help, you should know what they are. Here's a rundown:

■ **Financial planners:** Planners look over your finances, discuss your goals, and map out a plan for you to reach them. Planners will also help manage your tax burden and help prepare an estate plan for you to leave assets to your heirs. It's your job to follow the guidelines and execute the plan. You'll be in charge of adjusting your portfolio.

■ **Financial advisers:** An adviser's job is similar to a planner's. One major difference, however, is that advisers take charge of the execution of your plan. They trade investments and track your portfolio and finances.

■ **Security brokers:** Securities brokers provide suggestions on investments and stocks. Their expertise and advice typically centers on investments and little else.

## HOW THE PROS ARE PAID

■ **Fee-only planners:** Fee-only planners often charge a flat rate for their services, but in some cases will charge an hourly rate or an annual retainer. In general, fee-only professionals do not receive commissions for any financial products or tools you invest in, but they will charge you for the plans or financial roadmaps they provide. Comprehensive financial plans typically can range from



## COMMON WARNING SIGNS OF A DECEPTIVE FINANCIAL PLANNER

1. Promises of unrealistic above-market rates of return, such as 20% or 40% annually
2. An indication that the investment is guaranteed and can't result in a loss for the investor
3. Suggestions that the investment is too complex to be understood and that total faith in the promoter is a must
4. An unclear or unstated investment purpose, such as a blind pool for investing in the stock market at the planner's discretion
5. An exotic element in the sales pitch, such as the involvement of an off-shore bank, top-secret technology, or inside information from Wall Street titans

several hundred dollars to a few thousand dollars, depending on the individuals' needs and the complexity of their financial situation. According to Jim Dalessio, a media liaison for the Certified Financial Planning Board of Standards Inc., a national certified planners association, planners charge about \$300 an hour on average, but rates can vary based on location. A simple comprehensive

plan can take from one or two hours up to 10 hours, he says.

■ **Commissioned professionals:** Advisers or planners who work for a securities company are sometimes obligated to push investments offered or favored by their firm. Independent planners and advisers operate on their own and are usually free to make choices they feel are best. Commissioned professionals receive money for products they sell you such as mutual funds, annuities, or insurance. "I think there are fine commissioned planners out there, but prospective clients should ask about the adviser's compensation structure," says Frank Paré, an Oakland, California planner. "It's good to find out if a planner has a vested interest in what they offer you."

## CHECK CREDENTIALS

Advisers and planners are accredited by professional organizations and take courses in a variety of topics such as tax, estate, retirement, and employee benefits planning as well as investing and insurance. In order to secure the designation, they must then pass an exam. The most common is the certified financial planner (CFP) designation.

Lubin recommends checking with your state's securities regulators to see if there have been any complaints filed against a planner or adviser. The North American Securities Administrators Association ([www.nasaa.org](http://www.nasaa.org)) provides links and telephone numbers. Also, try professional organizations. The Certified Financial Planning Board's Website features a link ([www.cfp.net/search](http://www.cfp.net/search)) that lets you check up on planners with the CFP designation and see if any complaints or disciplinary actions have been filed against them. The Financial Planning Association provides a search engine that lets you screen for planners in your area at [www.fpanet.org/plannersearch/search.cfm](http://www.fpanet.org/plannersearch/search.cfm).

The Federal Citizen Information Center provides helpful information to help consumer hire a reputable financial adviser at [www.consumeraction.gov/caw\\_investing\\_brokers.shtml](http://www.consumeraction.gov/caw_investing_brokers.shtml).

—James A. Anderson