

## **WHY SHOULD YOU HIRE A CERTIFIED FINANCIAL PLANNER?**

**THE MONEY MARATHON- BY ED DOUGLAS, CERTIFIED FINANCIAL PLANNER CFP®**

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### **What is Financial Planning?**

Financial planning is a process to help you reach your life goals through proper financial management.

### **How does the Financial Planning Process Work?**

Financial planners use a six-step process to develop a plan to meet your specific needs. Those six steps are: 1) Establishing and defining the client relationship. This means deciding together the scope of the work the planner will be doing for you. 2) Gathering relevant data including defining your life goals and financial goals. 3) Analyzing and Evaluating Your Financial Situation. 4) Developing and presenting recommendations and alternatives. 5) Implementing the Financial Recommendations which entails agreeing on how the recommendations will be carried out; and, 6) Monitoring the financial planning recommendations.

### **What are the Benefits of Financial Planning?**

Financial planning provides meaning and direction to your financial decisions to help you reach your goals. Financial planning is a holistic approach wherein planners review your entire situation before making recommendations because each person has specific goals and needs that are unique to him or her.

### **Is There a Difference Between a Financial Planner and a Certified Financial Planner CFP®?**

Yes there is a big difference. Anyone can hang out their shingle as a financial planner, but only someone who has completed the rigorous certification process that includes demanding education, examination, experience, and ethical requirements (what are known as “the four Es”) can use the CFP® designation, known as the marks. The educational requirement is approximately 1000 hours of study in many fields that includes investments, taxes, estate planning, and insurance. There are 28 hours of testing, including a 10-hour final in which there is only a 50% pass rate. On an ongoing basis, there are 30 hours of continuing education every two years. Each planner has to have a minimum of three years of experience to be certified. Finally, CFP®s must maintain high ethical standards. Planners must have integrity, be competent, offer objective advice, be diligent, professional, treat you fairly, and respect your right of privacy.

### **What does Financial Planning Cost?**

Planners usually charge an hourly rate for advice. Planners will tell you in advance what to expect so there is no surprise. Most planners, myself included, will offer a free initial interview to discuss the person’s needs and what the planner can do and the cost, etc. The benefit of charging on a time and advice basis is that many Certified Financial Planners, CFP®, like me, don’t have to sell you a product you may or may not need in order to be compensated. We can charge for the time involved and the advice so that you never have to wonder if you were sold something you didn’t need. Financial planners can

charge on a time basis as just described, or, in some cases on an ongoing basis based on assets managed.

### What is a Typical Financial Planning Need?

Each person's situation is unique, so it is hard to say what is typical. However, in most cases, I go through an initial interview, taking notes and learning as much as I can about the personal financial situation. This includes gathering information on a person or couple's assets (what they own), liabilities, (what they owe), the insurance they own, and their income as well as how much they spend. Many times, I will take a risk tolerance survey to help determine the level of risk they are comfortable taking. Also, I attempt to learn or help the clients set and prioritize their financial goals. Potential goals can be having enough for retirement, adequately protecting assets, making sure assets are distributed according to the client's needs, setting up an appropriate mix of investments (asset allocation), getting out of debt etc. Financial planning is for both people who need help with getting out of debt and the people who need help appropriately managing large sums of money. My approach is always, no matter what the situation a client is in, good or bad, what can be done to improve that situation. I have found that regardless of a client's financial condition, the people that come to see CFP®'s are way ahead of most people because they recognize the need to seek some help to make their situation better.

### A Final Recommendation about Selecting a CFP®.

You can get on the CFP Financial Board of Standards website at [cfpboard.org](http://cfpboard.org) to make sure that a potential planner (67,000 nationally) you are considering has the certification marks and that the person has not been disciplined or been in bankruptcy within the last 10 years. I recommend doing this. Additionally, you should interview the planner to review his credentials and experience and become acquainted with his or her philosophy about the planning process. It can also be important to check references. Finally, it is important that you are comfortable with the person and that you feel you can trust him/her and work with the individual easily.

With these recommendations, I think that you will be happy with what a planner can do to assist you in reaching your financial goals.

Remember that every investor's situation is unique and that it is important to review your specific situation with a financial professional.

Ed Douglas is a Certified Financial Planner CFP®/Consultant, Chairman Emeritus of Citizens Bancshares, and author of three books: *Making a Million With Only \$2000-Every Young Person Can Do It*, *The Money Marathon: 7 Simple Steps to Financial Freedom* and *25 Truths: Life Principles of the Happiest and Most Successful Among Us*, available at [www.eddouglas.com](http://www.eddouglas.com) and on Amazon. Ed may be contacted for financial planning services or seminars based on his books at [ed@eddouglas.com](mailto:ed@eddouglas.com) or 660-646-2066 or at his office at 601 Locust, Chillicothe, MO.

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