

WHAT DOES IT MEAN TO BE A CERTIFIED FINANCIAL PLANNER?

When I am talking to potential clients, and I tell them I am a Certified Financial Planner, CFP®, I mistakenly assume they understand what that means. A number of my friends would say they understand that I am “certifiable,” but that is another story. Here is what financial planning means and what it means to be a CFP®.

WHAT IS FINANCIAL PLANNING?

Financial planning is a process to help a person reach his life goals through proper management of his finances. The process is a holistic approach which means the planner looks at the client’s entire situation before recommending a course of action. A person would not want his doctor to make a diagnosis before examining him completely. Neither should a financial planner make a recommendation before knowing the person’s entire financial situation. A financial plan can include planning for retirement, education needs for children, taxes, investment advice, estate planning, debt reduction, and insurance planning. The result is usually a complete written financial plan. Planners use a six step process which is as follows:

- 1) Establishing and defining the client-planner relationship.
- 2) Gathering client data including goals.
- 3) Analyzing and evaluating a person’s financial status
- 4) Developing and presenting financial planning recommendations and or alternatives
- 5) Implementing the financial planning process
- 6) Monitoring the financial planning recommendations

WHAT IS THE BENEFIT OF FINANCIAL PLANNING?

Financial planning can help a person solve a particular concern or issue or fill a particular need. In addition it can provide direction and meaning to a person’s financial decisions. This can allow a person to understand how each financial decision affects other parts of the whole plan. As an example, accumulated wealth could be lost without effective insurance from potential risk from sickness, catastrophes or liability. Likewise, a great budget and savings plan could all be wasted with unwise or unsafe investments. By viewing each decision as part of the whole, a person and the planner can see how each decision affects the client’s goals and the overall plan.

WHAT IS A CERTIFIED FINANCIAL PLANNER?

Anyone can call himself a financial planner, but a Certified Financial Planner CFP® has fulfilled the requirements for certification and renewal to be able to display the CFP certification marks, CFP®. I finished my licensing over 15 years ago. It required over 1000 hours of study over several years, six three-hour tests, and a two-day, 10-hour final. The pass rate on the final for people who have done the work is only 50%. Even after passing the final, there is a requirement of 30 hours of continuing education to maintain a planner’s license. Furthermore, there is a three-year experience requirement. Finally, Certified Financial Planners agree to a strict code of professional conduct and ethics. This code of ethics and financial responsibility requires six principles which are: integrity, objectivity, competence, fairness, confidentiality,

professionalism, and diligence. Certified Financial Planners who violate these principles are subject to disciplinary action which can include the loss of the license.

WHAT DOES IT COST TO HIRE A FINANCIAL PLANNER?

Certified Financial Planners offer varying arrangements for compensation. The majority of my arrangements with clients are on a fee only basis. On this basis I charge by the hour for my advice developing a specific plan to meet the client's needs. Sometimes, that advice and consultation may only take several hours and other times it may involve more time to develop a complete plan. One benefit to this arrangement is that a fee only planner like me has no conflict to have to sell a person a product he may not need or want. I believe this can help give the client a comfort that the advice given is in the best interest of the client. Some planners may charge a percentage fee to invest money for clients based on the value of the assets. I sometimes do this for large investment accounts but in that case I make the percentage a small percentage that primarily reflects the time involved in managing the account.

DON'T BE SCARED TO ASK QUESTIONS:

I have found that many people are afraid to ask questions out of fear that the question will not be a smart question, or that they are not sure what they really need or that they fear just asking a few questions will cost them something. I can't speak for other Certified Financial Planners on this issue, but in my case I talk to people at no charge to answer whatever questions they might have. I believe there are no financial questions that a person should be ashamed to ask. In some cases, I am able to quickly answer their questions not requiring that they hire me. Other times, they may not need my services but may need help and I can refer them to someone else, an expert in that particular field. Regardless there is no charge until I have found out what there needs are and then I can discuss with them the potential costs at which time they can decide whether they would like to pursue my services or not. Either way is fine. I think life is about creating win/win situations that are good for both parties. If that can't be done, the relationship should not be pursued.

Certified Financial Planners are professionally licensed generalists, who can help a person reach his life goals with a financial plan designed for him specifically.

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

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