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[YOUR MONEY]

Malcolm Greenhill, *founder of Sterling Futures, which advises individuals and businesses on financial planning, says the industry now is coming of age.*

Managing Your Money

As personal finance industry matures, here's how to find an advisor

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OF THE EXAMINER STAFF

IT CAN BE A HORROR SHOW out there, a real scream fest. Stocks dying. Hedge funds imploding. Mutual funds flat-lining. But market bloodshed doesn't always hurt financial planners, who advise folks about their money matters. Nor does it appear to scare baby boomers, who keep pouring billions of dollars into investment and retirement funds.

If anything, more middle class investors are getting serious about financial planning: the management of their assets to meet long-range life goals, from buying a home to saving on taxes to retiring in comfort.

"Financial Planning" used to be the domain of cold-calling stockbrokers and insurance salesmen peddling their wares. Any slick operator could call himself or herself a "financial planner".

In recent years, though, financial planning has grown into a strong, ethical profession. Today, more than 100,000 planners nationwide manage billions of dollars in assets for 7 million clients.

About 32,000 of those financial planners are licensed as "certified financial planners," or CFPs, by the Certified Financial Planner Board of Standards, a nonprofit professional group based in Denver.

To earn the CFP title, they've worked at least three years in a financial profession and passed a rigorous, two-day exam. They've also signed a code of ethics, promising to deal honestly and legally with clients.

"We're seeing increasing professionalism among financial planners," said Malcolm Greenhill, local president of the Institute for Certified Financial Planners, a Denver-based professional group, and the founder of Sterling Futures, a San Francisco firm that advises individuals and businesses on their finances and benefits. "We haven't come of age yet, but we're getting pretty close."

One big leap forward: the self-policing of a still-young industry that's largely unregulated by the U.S. Securities and Exchange Commission and other watchdogs.

"We believe in our industry regulating our members," said Robert Goss, president of the CFP Board of Standards. "We don't want to have standards imposed on us by the courts or legislatures."

To that end, the CFP board has a 10-person staff of attorneys and analysts cracking down on rogue financial planners. The watchdogs follow up on tips from unhappy clients and stage random audits of planners' offices.

Since 1987, the CFP board has sent warning letters or revoked or suspended the licenses of 240 planners, noted Noel Maye, the board's media relations manager.

One example: the board in June permanently pulled the license of an Oakland financial advisor named Clyde Joseph Bruff after he was banned from trading securities last year by the National Association of Securities Dealers. NASD filings show that Bruff engaged in risky and excessive trading of a woman's investment account.

So how does one find an honest, reliable financial planner? Here are some tips from Greenhill, the CFP board and Kacy Gott, a partner at the Kochis Fitz asset management firm in San Francisco who teaches financial planning at UC Berkeley Extension:

▶ **Be well-prepared.**

Pinpoint your financial goals and needs. Insurance? Estate planning? Investment guidance? A comprehensive plan? This will help you find the right planner.

Also, bone up on personal finance by reading as many financial and business publications and books as possible. A trip to the local bookstore or library can help beef up your reading list.

▶ **Check the financial planner's work history and services offered.**

The ideal planner should have broad experience in tax planning, investments, insurance, estate planning and retirement planning. Some may have more expertise in certain areas, while others may be licensed to sell investment products or insurance policies.

Consumers can check a CFP's record by calling the CFP board or checking its Web site. If a planner sells securities or insurance, consumers can look up their work and disciplinary history with the SEC, the NASD or the National Association of Insurance Commissioners, all reachable by phone or the Internet.

▶ **Check out the financial planner's education and training.**

Be aware that "financial advisor" is a generic, loosely used term that anyone can borrow to give financial advice or sell products. Stick with a professional CFP licensed by the CFP board. Another option is a personal finance specialist (CPA-PFS), who is an accountant trained in broader financial planning. You can also find a chartered financial consultant (ChFJC), who is certified by the American College, a financial planning institution in Bryn Mawr, PA. Ask friends, colleagues and professional groups for referrals.

▶ **Ask about fees, commissions and business ties.**

Financial planners may charge fees at an hourly rate, a flat rate, or based on a percentage – usually 1 to 2 percent – of a client's assets. A typical planner charges $100 an hour or $800 to complete a comprehensive financial plan, Maye said.

Be aware of conflicts of interest. Financial planners who sell investment products and insurance policies may be paid commissions by mutual fund companies, brokerages or insurance companies. Licensed CFPs must fully disclose their affiliations to the clients, in accordance with the CFP board's code of ethics.

▶ **Watch out for promises that sound too good to be true.**

The old consumer adage "buyer beware" applies here. Avoid slick-talking financial planners who promise dynamic, no-risk investments with a high rate of return, Greenhill said.

"If they tell you you can't lose money with us, or they guarantee a 20 percent return with no risk, that's a red flag," Greenhill said.

▶ **Be comfortable with your planner's work and communication styles.**

Financial planners joke that people talk more freely about sex than money. One's finances can be a painful, taboo subject – especially for couples. You and your planner should make a good fit, Gott and Greenhill advise. Is there trust and personal chemistry? Do you prefer a disciplined, meticulous planner? A humorous, easygoing one? A good listener and counselor-type? An aggressive investment advisor?

"The comfort level must be there," Gott said. Greenhill added, "The personal touchy-feely issues are important. A lot of planners are technically very competent, but do you feel comfortable with maintaining a relationship with them over a long period of time?"

At Kochis Fitz, clients fill out a questionnaire detailing their financial resources, living expenses, spending habits and goals.

Then they meet with an advisor to fine tune their plan. For instance, if clients want to send their kids to college, will it be public or private? Four years or six years (including graduate studies)? Are clients willing to sacrifice early retirement to divert money to their children's education?

One of Gott's clients, a businesswoman in her 60s, grew nervous as her golden years neared. Gott ran through her assets. Yes, he told her, you can retire comfortably.

She didn't believe it. She thought Gott was mistaken. He reassured her again, saying she could retire – with money left over for family members and charities.

"She was crying over her good fortune," Gott said. "That's the best part: helping people understand their finances and getting them on the right track."

Librarian Rebecca David of The Examiner staff contributed to this report.

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