

## Managing Prosperity: Estate and Retirement Planning for All Ages Building Your Financial Team: Financial Planners

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Financial matters are becoming increasingly complex – tax regulations are always changing, new investment vehicles are constantly being developed, and estate planning laws are constantly being revised. It's easy to get confused and fall into the "One Step Forward, Two Steps Back Syndrome." This syndrome occurs when you make a financial move that is intended to provide certain benefits, but it ends up hurting you without your knowing it. An example is trying to save money by minimizing your annual income taxes – while this may lower your income tax bill, it also drastically reduces your future Social Security benefits and the amount you are eligible to invest in a qualified retirement plan.

It's hard for one person to keep up with all these changes and manage a business (or family) at the same time. That is why you should consider forming a financial advisory team. Let the experts keep you informed about current financial issues so you can make informed decisions that will help achieve your financial goals.



### Who should be on your financial advisory team?

Start with a registered financial professional, such as a Certified Financial Planner<sup>TM</sup> (CFP), a Registered Financial Consultant (RFC), or a Chartered Financial Consultant (ChFC). These planners will be the "quarterback" of your team. They will work with the other members of your financial team to make sure that you get the most current information. Most financial professionals have training in five financial areas: Budgeting and Investing, Insurance, Estate Planning, Retirement Planning, and Tax Management. Thus, they are able to coordinate your financial moves to help reach your goals. To remain certified, they must participate in continuing education programs to remain current on financial matters, and they must follow a code of ethics to maintain a high level of professionalism.

### Who are other potential members of your financial team?

Other possible members for your financial team include:

Accountant (CPA)  
Insurance Agent  
Lender

Attorney/Estate Planner  
Investment Broker

Because these professionals specialize in certain areas, they are able to provide accurate, up-to-date, in-depth information. It is advisable to work with professionals who maintain a solid working relationship with other members of your financial team. For example, you will have a much stronger team if your financial planner, accountant and attorney are able to work directly with each other.

### How do you go about selecting a financial planner?

A financial planner is basically going to be your partner, so take care in selecting that person. They will help manage your money, which is a serious responsibility. Interview at

[www.ext.vt.edu](http://www.ext.vt.edu)

least three candidates before you commit to a specific individual. Here are some questions you should ask during the interview:

### **What is their professional background?**

Are they certified by a legitimate agency? Are they affiliated with a reputable firm, or do they operate independently? Many people worry that a financial planner who is affiliated with a certain firm will try to sell only that firm's products. As long as the firm's products are quality products, this really is not an issue for concern.

### **What memberships do they hold in professional associations?**

Do they keep up-to-date through professional associations? Are they reputable associations that are recognized by the profession?

### **How many years have they been in the profession?**

If possible, look for proven performance from that individual over a 5-10 year period. One thing to consider is that a majority of the current financial planning professionals have not lived through a severe economic downturn. This may cause them to be less risk-averse (more aggressive) in their recommendations. Another question to ask is how long they have been practicing in the community – have they put down roots in the area or are they likely to move to a new area in the near future?

### **Ask for references from existing clients**

Contact the planner's current and former clients to assess their performance and level of service. Be sure to talk to clients who are in a similar financial position as you are. Try to work with a planner who is familiar with your industry/business. Do they have other clients who are agricultural producers? Do they understand the risks, debt loads, and cash flows associated with agricultural operations.

### **Ask for a sample financial plan**

Try to get an idea of the type of financial recommendations the planner will make. Are their attitudes fairly conservative or fairly risky? What have they recommended for others with similar goals, income, and net worth? Don't expect to get a complete financial plan in five minutes – try to determine if you will be comfortable with their recommendations and their style. Look for planners who offer several possible alternatives to reach your goals rather than focusing on only one plan.

### **What is their fee structure? How do they charge for their services?**

Some financial planners charge a straight annual fee. Others charge a fee or commission (approximately 1-5 percent of

the funds managed) for each service they provide. Some charge an annual fee and a fee/commission for services rendered. Ask for a written document that clearly states their fee structure. If you are confused about the fees, ask the planner for a "dollar-for-dollar" example – "exactly what will it cost me?"

### **Do they understand your financial goals and your risk tolerance?**

This is the most important aspect of choosing a financial planner. If they do not understand your goals and risk tolerance, you will be wasting time and money! For example, if they recommend very aggressive (risky) investments, and you do not like to take much risk with money, you will not be satisfied with the working relationship. It is extremely important to identify your financial goals before going to see a financial planner!!

### **What to Expect from a Financial Planner**

Your Financial Planner Should Be Able To:

- Assess your relevant financial information, such as tax returns, investments, retirement programs, your will, and insurance policies,
- Review your net worth statement (balance sheet), examine your cash flow and debt structure, and make appropriate recommendations,
- Identify financial areas where you may need help, such as building retirement income, improving investment returns, fine-tuning insurance needs, or tax-saving suggestions,
- Help you decide on a financial plan based on personal/financial goals and your investment risk level by systematically laying out several possible options,
- Provide a clearly-written financial plan specific to your situation, and discuss it thoroughly to make sure you are comfortable with it,
- Help implement your financial plan, including referring you to or working hand-in-hand with specialists, such as lenders, lawyers, or accountants when necessary,
- Review your situation and financial plan periodically, and suggest options to improve the plan when needed; and
- Provide monthly or quarterly statements indicating the condition and performance of your account, including account size (in dollars), past transactions, and average rates of return for the period.
- Financial planners can be a great asset to you in reaching your financial goals. Think of them as your financial quarterback – leader of your advisory team, and as your financial partner. Work with them to develop and implement a sound financial plan for you and your family.

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