



Estate Planning: Financial Planners

Jennifer Hunter, Ph.D., Family Finance Extension Specialist,
Corresponding Author

The term *financial planner* is appearing with increasing frequency in advertisements (including unsolicited mail) and news articles. The alphabet soup of financial planning may lead you to believe that someone is a financial planner when in fact he or she is not.

Some people who call themselves financial planners are nothing more than salespeople for stocks, tax shelters, insurance, and other investments and have no special training in financial planning.

What Is a Financial Planner?

A financial planner is a person professionally certified to supplement a client's knowledge of personal finances. Legitimate financial planners have undergone training in order to be certified by one or more professional organizations.

The best known financial planner is a *Certified Financial Planner* (CFP), someone who has been approved by the International Board of Standards and Practices for Certified Financial Planners. Certified Financial Planners have:

- Completed a program of study.
- Passed an examination.
- Had at least three years of work experience in financial planning.
- Agreed to adhere to the code of ethics of the International Board of Standards and Practices for Certified Financial Planners.

A CFP must regularly update his or her professional knowledge. CFPs have background knowledge in:

- Financial planning.
- Risk management.
- Investments.
- Tax planning and management.
- Retirement planning.
- Employee benefits.
- Estate planning.

Another type of financial planner is a *Chartered Financial Consultant* (ChFC). The work of this type of financial planner grew out of the chartered life underwriter program for life insurance agents. ChFCs have special training in investments, real estate, and taxation. The ChFC program is operated by American College in Bryn Mawr, Pennsylvania.

A third type of financial planner is an *Accredited Financial Counselor* (AFC). This person has passed examinations in personal finance and financial counseling and adheres to the code of professional ethics of the Association for Financial Counseling and Planning Education.

A registered investment adviser is someone who is required by federal law to register with the Securities and Exchange Commission because he or she provides investment advice. The registered investment adviser designation means that the person has paid a fee for the designation. It does not mean that this person has passed an exam or adheres to any professional code of ethics.

What Is the Cost?

Financial planners charge for their services in two ways. One is by fee only. A fee-only financial planner earns no commissions and works solely on a fee-for-service basis. Fee-only planners do not sell financial products. The fees are usually on a per-hour basis or a percentage of the client's assets. A minimum of five hours is usually involved in analyzing a client's situation and presenting a plan to the client. The National Association of Personal Financial Advisers (NAPFA) is the professional organization for fee-only financial planners.

The other way clients pay for the financial planner's time is by commission. With this method, your financial plan will be free, but the payment will come from the commission for the investment or insurance product the planner sells you. Occasionally you will find a financial planner whose method of charging clients is a combination of fee-for-service and commission.

If you are thinking about obtaining some professional help with your financial planning, be sure to ask some questions before you make an agreement with someone who calls himself or herself a financial planner. Ask about the person's professional background and in what areas of financial planning he or she has special training. Find out how long the person has been working in financial planning and related fields and if he or she belongs to any professional associations for financial planners. Also ask for references

from three or more clients who live in your area. If you have doubts, call the references to determine their satisfaction with the financial planner. Always ask the planner about the fee structure or how the planner's commissions are set up, whichever applies.

Financial planners can be a great help in moving you in the right direction with your retirement planning, estate planning, and investments. Just be sure you know with whom you are dealing.

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This is the fifth publication in a nine-part series on estate planning. Other publications in the series cover:

Getting Started (FCS5-420)

Objectives (FCS5-421)

Your Personal Records and Information (FCS5-422)

Selecting Your Team (FCS5-423)

Wills and Probate in Kentucky (FCS5-425)

Trusts (FCS5-426)

Federal and State Estate Taxes (FCS5-427)

A Glossary of Terms (FCS5-428)