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University of Kentucky
College of Agriculture,
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Estate Planning Part 4:
Financial Planners

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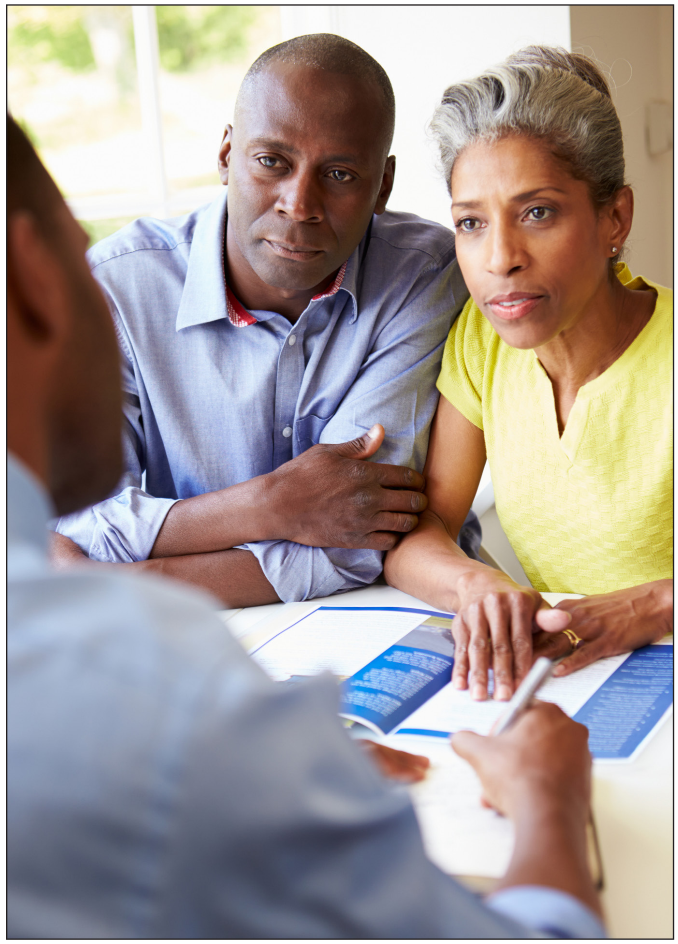
The term *financial planner* is appearing with increasing frequency in advertisements (including unsolicited mail and social media) and news articles. The alphabet soup of financial planning credentials may lead you to believe that someone is a financial planner when in fact they are not.

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. It is important to do your research before hiring someone to advise you financially, or to allocate or invest your financial assets.



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 to become 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 Certified Financial Planner Board of Standards. Certified financial planners have:

- Completed an approved financial program of study and hold a bachelor's degree or higher
- Passed the certified financial planner examination
- Completed 4,000-6,000 hours of supervised work experience in financial planning, and
- Agreed to adhere to the code of ethics of the Certified Financial Planner Board of Standards, which includes a detailed background check

CFPs must fulfill continuing education requirements as they continue in their career. CFPs have background knowledge in:

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

If you are considering obtaining some professional help with your financial planning, be sure to ask some questions before you make an agreement with someone who says they are a financial planner.

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, PA, and requires business experience, education requirements, an examination, and continuing education.

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 and continuing education requirements set forth by the Association for Financial Counseling and Planning Education.

A registered investment adviser (RIA) is someone who is required by federal law to register with the Securities and Exchange Commission because they provide investment advice. The registered investment adviser designation means the person has paid a fee for the designation. It does not necessarily mean this person has passed an exam or adheres to any professional code of ethics. When choosing to work with an RIA, be sure to ask whether they hold any Series licenses (such as Series 65, for investment advisors) through the North American Securities Administrators Association (NASAA) and Financial Industry Regulatory Authority (FINRA), and to which professional ethics boards they belong.

The Estate Planning Series

This publication is part of a ten-part series on estate planning. The publications in this series are:

Part 1: *Getting Started* (FCS 5-420)

Part 2: *Your Records and Personal Information* (FCS 5-422)

Part 3: *Selecting Your Team* (FCS 5-423)

Part 4: *Financial Planners* (FCS 5-424)

Part 5: *Wills and Probate in Kentucky* (FCS 5-425)

Part 6: *Trusts* (FCS 5-426)

Part 7: *Federal and State Estate Taxes* (FCS 5-427)

Part 8: *Planning Your Digital Estate* (FCS 5-465)

Part 9: *How to Settle an Estate* (FCS 5-436)

Part 10: *A Glossary of Terms* (FCS 5-428)

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 commission and works solely on a fee-for-service basis. Fee-only planners do not sell financial products. The fees are usually based 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 considering obtaining some professional help with your financial planning, be sure to ask some questions before you make an agreement with someone who says they are a financial planner. Ask about the person's professional background and in what areas of financial planning they have special training. Find out how long the person has been working in financial planning and related fields and if they belong 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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