

Ea\$y Money – Wealth: Investments/Tax advisors (How to choose)

What it is: If you are like many individuals, you may not have the time, knowledge, or motivation to plan and implement financial strategies on your own. If so, then selecting a financial advisor to help you may turn out to be one of your best investment strategies.

Having well-defined objectives before you select an advisor is very important. Decide what type of advisor you want. A stockbroker recommends to clients which securities to buy and sell and earns a commission on all trades. A financial planner considers your total financial situation to develop a comprehensive financial plan.

How it works: An advisor's credentials are one clue to his or her professional preparation. The Certified Financial Planner (CFP®) designation is awarded by the CFP Board to individuals who have met its education, examination, and experience requirements. Other planning designations are ChFC (Chartered Financial Consultant) and the CPA/PFS (Certified Public Accountant, Personal Financial Specialist). A registered representative or stockbroker must pass exams of the Financial Industry Regulatory Authority (FINRA).

Why it matters: You will want to select someone you feel comfortable sharing information with and the more an advisor knows about you and your financial situation, the better he or she can advise you. You will also want someone who explains things clearly regardless of how much time this takes. It's a good idea to interview two or three potential advisors and to go to your meeting with a list of prepared questions.

Take time to find out about the advisor's fee structure. Some advisors charge a commission on the products they sell such as stocks, bonds, and mutual funds. Some advisors work on a fee-only basis, which means they charge you by the hour or by the specific task. Other advisors charge a combination of fees and commissions.

Who should care? Ask potential advisors what services they offer as well as their approach to financial planning. What type client do they like to work with? Do they like to look at a client's financial situation in its totality or do they prefer to focus strictly on investments? What process will they use to help you with your investments? What is their investment philosophy? Once you have selected an advisor, ask the individual to provide you with a written agreement that spells out the services that will be provided and the fees that will be charged.

NOTE: This information is provided as an educational service and is not intended as, nor should it be considered legal advice but provides general information.

For more information:

- Iowa State University Extension and Outreach Money Blogs tips,
<http://blogs.extension.iastate.edu/moneytips/>
- Iowa State University Extension and Outreach publication PM1821, *Legal Issues Later in Life-- Retirement: Secure Your Future*
- Iowa State University Extension and Outreach Human Sciences website at
www.extension.iastate.edu/humansciences/