



SUMMERTIME

Summer is a Fantastic Season to Find a Planner

But so is spring, winter and fall – know what to look for when searching

You know you need to make a plan with your money – but when? The signs may well sit right in front of you, from your paycheck to your debt to your willingness to ask for professional help.

If you haven't started a financial plan, you're not alone. A recent survey shows big disconnects between what Americans know they should do financially and what they actually do: while 58% of respondents believe their money planning needs improvement, a third have taken no steps toward such plans.

Regardless of income level or occupation, many people just don't think about finances with the same consideration as other pieces of their lives – health, marriage, education, children and happiness. Ironically, financial health intertwines with most of those components and stages. And not focusing on financial health – like ignoring your physical health – can come back to haunt you later in life.

In fact, when it comes to relationships, fights about money are among the biggest frictions in a marriage and top contributors to divorce. Similarly, financial well-being tends to improve overall physical health.

So why don't more people create a financial plan?

Times You Need a Planner

A common reason: not knowing where to start. While some do tackle finances solo, a financial planner may be a good resource for you to explore. Why?

You finally make money. Unlike your driver's test when you were 16, no predetermined date exists for taking on a financial planner.

Getting your first paycheck can and should trigger expense and savings discussions, especially when that paycheck begins to grow. The earlier you start, the better your chance of success. If you now bring in real money, think hard about a formal plan to accumulate wealth.

A big change. Many of us recognize the need for a financial planner when hit with a major life event such as a marriage, a first (or second or third) child, looming retirement or a separation from a spouse. This maelstrom of emotions might mark a great time to assess your financial situation.

For instance, if you are getting married, think how to best combine finances with your betrothed, create a college fund or start investing. The more financially prepared you are for the journey ahead, the better your outcome.

Pesky debt. To cite one bottomless well, most people come out of college or grad school with serious debt: as of the summer of 2021, a record \$1.6 trillion. That's more than the debt held in auto loans (\$1.3 trillion) and the amount of credit card debt (\$820 billion).

And nearly 20% of student borrowers are in default.

Not all debt is equal and some can even motivate you to save and budget. Focus on debt and fees you can control and minimize those wherever possible. A financial planner can help identify opportunities to reduce expenses such as interest.

Need for help. As with many professional services, picking a financial planner often boils down to who you trust and understand.

A recent survey asked more than 1,200 investors how they decided to work with their current advisors. Legwork didn't figure big:

- More than half of the respondents (61%) chose the only advisor interviewed;
- Only 22% interviewed more than one advisor; and
- The remaining 17% of investors opted for "other" methods.

Once you find a potential advisor, ask yourself:

- Do I trust this person to put me in the right position to succeed?
- Do I agree with his or her philosophy? and
- Can I see myself working with this professional for years to come?

Look at Professional Designations

Plenty of great advisors don't hold one, but a recognized credential can give you another level of comfort. Typical designations include:

Certified Financial Planner (CFP). Holders must take college-level financial planning courses, log at least three years' experience in financial planning and pass a 10-hour examination. The CFP Board, which owns and awards the designation, reports that in the past year only about two out of every three of the thousands of advisors passed the CFP exam.

A CFP completed extensive training in financial and estate planning, investment management, insurance, taxes and retirement planning.

Chartered Financial Analyst (CFA). These professionals study security analysis, stocks, bonds, investment management and corporate finance. They take three levels of examinations to earn the designation, which many mutual fund managers, pension fund managers and endowment managers hold. CFA charterholders commit an average of four years to complete the program.

Compensation Matters

Also look at compensation. Generally, planners make money in many different ways: commissions, straight fees, fee-based or a combination of the three. Ask how your planner charges to help you understand exactly what you'll pay.

Your due diligence can take you only so far. Meet with your potential planner and really get to know him or her. You'll probably find that creating a financial plan and accumulating wealth can be rewarding in more ways than one.