CONSUMER GUIDE TO FINANCIAL PLANNING

PERSONAL FINANCIAL PLANNING

A GUIDE TO STARTING YOUR PERSONAL FINANCIAL PLAN

CERTIFIED FINANCIAL PLANNER™

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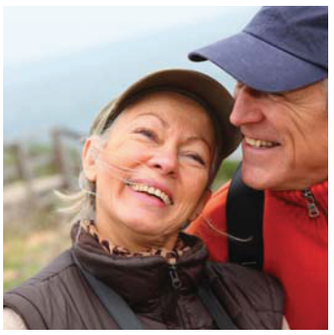
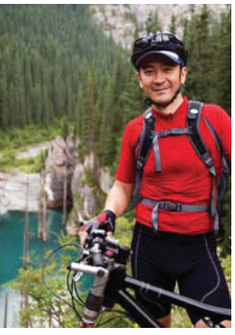
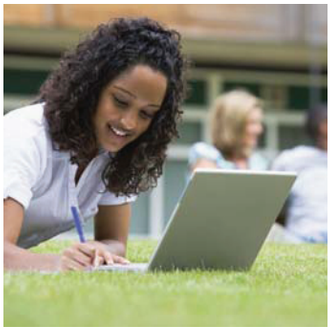
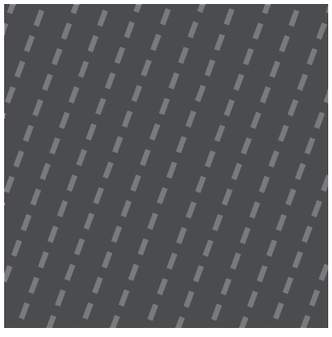
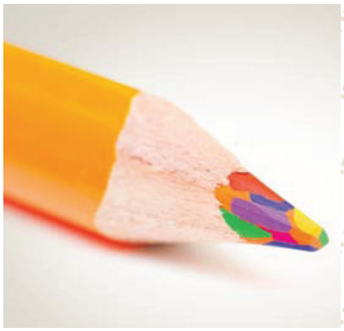










BRING ALL THE PIECES OF YOUR FINANCIAL LIFE TOGETHER

If your financial life seems to be spinning out of control, you're not alone.

Today more than ever, CERTIFIED FINANCIAL PLANNER™ professionals are an essential resource. From budgeting, to planning for retirement, to saving for education, to managing your taxes and your insurance coverage, "finances" doesn't mean just one thing for most Americans—and "financial planning" means much more than just investing. Bringing all the pieces of your financial life together is a challenging task.

Although many professionals may call themselves "financial planners," CFP® professionals have completed extensive training and experience requirements and are held to rigorous ethical standards. They understand the complexities of the changing financial climate and know how to make recommendations in your best interest.

WHY YOU NEED A FINANCIAL PLAN

- BENEFITS OF FINANCIAL PLANNING
- THE FINANCIAL PLANNING PROCESS

Financial planning takes the guesswork out of managing your finances and helps you understand the implications of each financial decision you make. Everyone has different goals, so it's important to have a unique plan that works for you and your financial situation, both now and in the future.

BENEFITS OF FINANCIAL PLANNING

The average American faces an uncertain economy and more options for saving and investing than ever before. It's easy to feel overwhelmed or confused, unless you find a way to understand the big picture. A CFP® professional can bring clarity to all your finances and help you develop a strategy, so it's easier to make financial decisions, set long- and short-term life goals, and stay on track. Working with a CFP® professional can secure your financial well being and give you peace of mind.

Some people decide to do their own financial planning, but you may want to seek help from a CFP® professional if you:

- Want to better manage your finances, but aren't sure where to start
- Don't have time to do your own financial planning
- Want a professional opinion about the plan you've developed
- Don't have sufficient expertise in certain areas such as investments, insurance, taxes or retirement planning
- Have an immediate need or unexpected life event

THE FINANCIAL PLANNING PROCESS

Coming up with a solid financial plan means doing some homework—both on your part and the part of your CFP® professional. From examining your current situation, to setting goals, to deciding how to measure your progress, a CFP® professional is uniquely qualified to take you through the financial planning process.

In six steps, you and your CFP® professional will:

1. Agree on how to work together

Your CFP® professional will explain the services he'll provide and define each of your responsibilities. Along with compensation, you'll discuss how long the professional relationship will last and how you and he will make decisions.

2. Gather information about your finances and set goals

You and your CFP® professional will talk about your current financial situation and gather any necessary documents. Together, you'll define your personal and financial goals, including timeframes. You may also want to discuss your comfort level when it comes to taking financial risks.

3. Analyze and strategize

Your CFP® professional will take all your finances into account and determine how to meet your goals. Her analysis may cover your assets, liabilities and cash flow, current insurance coverage, investments or tax strategies.

4. Develop recommendations

Next, your CFP® professional will go over his financial recommendations, explaining the rationale so you can make informed decisions. He will address your questions and concerns and revise his recommendations if necessary.

5. Put plan into motion

You and your CFP® professional will need to agree on how the recommendations will be carried out. Your CFP® professional may carry out the recommendations herself or serve as your coach, coordinating the process with you and other professionals, like attorneys or stockbrokers.

6. Monitor progress and stay on track

As you work towards your goals, you and your CFP® professional will need to decide who will monitor your progress to make sure you're staying on track. If the planner is in charge, he'll check in from time to time, reviewing your situation and making any necessary adjustments to his recommendations.

Above all else, you should have confidence that whichever financial planner you choose is competent and ethical. Financial planners earn CFP® certification by meeting education, examination, experience and ethics requirements. In addition to delivering general financial planning services, many financial planners are also registered as investment advisors or hold insurance or securities licenses that allow them to buy or sell products.

HOW TO GET STARTED

- SETTING FINANCIAL GOALS
- TIPS FOR SUCCESS

Figuring out how to pull your finances together and make a sound financial plan can be daunting at first. Here's an overview of how a CFP® professional can help you design a secure financial future, as well as some tips for protecting your money.

SETTING FINANCIAL GOALS

What's the most expensive thing you'll ever buy in your lifetime? The answer probably isn't a big-ticket item like a new TV, car or home. When you put money into a retirement nest egg, you're "buying" your retirement. Given Social Security's uncertain future, longer life expectancies and decreasing employer contributions, planning for this major expense is more complicated than it was a generation ago.

You can afford to retire comfortably if you develop a solid plan and make smart choices along the way. Regardless of your income, a CFP® professional can help you:

- Calculate your net worth
- Avoid financial setbacks
- Deal with major life changes
- Avoid debt and credit problems
- Decide where to put your money

Today, there are an overwhelming number of choices for saving and investing your money, and a CFP® professional can help you navigate those options. Creating a robust, realistic plan will help you stay on track to have the retirement you want.

TIPS FOR SUCCESS

You are ultimately in charge of your finances, and the results you get from working with a CFP® professional depend on your commitment and understanding of the process. These tips can help you avoid some common mistakes and get the most out of financial planning:

- **Set measurable financial goals**
  Create specific targets for what you want to achieve and when you want to see results. Everyone wants to be "comfortable" in retirement and see their children attend "good" schools—but what do you mean by comfortable and good? Clear goals are easier to aim for and measure.

- **Understand the effects of each financial decision**
  Remember, each piece of your financial life is part of a larger puzzle. For example, an investment decision may have tax consequences that are harmful to your estate plans. Or a decision about your child's education may affect when and how you meet your retirement goals. Your financial decisions are interrelated.

- **Re-evaluate your financial situation periodically**
  Financial planning is a dynamic process. Your financial goals may change over the years due to changes in your lifestyle or circumstances such as an inheritance, marriage, birth, house purchase or change of job status. Revisit and revise your financial plan as time goes by so you stay on track to meet your long-term goals.

- **Start planning as soon as you can**
  The earlier you begin, the more likely you are to achieve your financial goals. By developing good financial planning habits such as saving, budgeting, investing and regularly reviewing your finances, you will be better prepared to handle emergencies and life changes.

- **Be realistic in your expectations**
  Financial planning cannot change your situation overnight—it's a lifelong process. Remember that events beyond your control, such as inflation or changes in the stock market or interest rates, will affect your financial planning results.

- **Get help from a qualified expert**
  Just as you seek a doctor's expert opinion for medical issues, there are times when you need a qualified professional to provide financial planning advice. A CFP® professional can help you on your journey to a healthy financial future.

- **Take charge of your financial life**
  If you're working with a CFP® professional, be sure you understand the financial planning process. Provide all relevant information about your financial situation. Ask questions about the recommendations offered to you, and play an active role in decision-making.

HOW TO CHOOSE A FINANCIAL PLANNER

- WHY CHOOSE A CFP® PROFESSIONAL
- WHAT TO EXPECT
- FINDING A CFP® PROFESSIONAL
- WHAT TO ASK

Financial planners offer different services depending on a number of factors, including credentials, licenses and areas of expertise. They also have different approaches. Some planners work as part of a team of advisors, and others work primarily on their own.

Your financial planner should be a trusted partner whom you feel comfortable with and who understands your needs. Be sure to interview the planners you're considering to find the best fit.

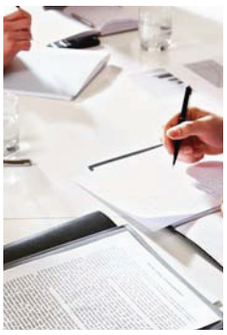
WHY CHOOSE A CFP® PROFESSIONAL

Most people think all financial planners are "certified," but this isn't true. Anyone can use the title "financial planner." Only those who have fulfilled the certification and renewal requirements of CFP Board can display the CFP® certification trademarks which represent a high level of competency, ethics and professionalism. And because they are held to a fiduciary standard of care when providing financial planning services, a CFP® professional is required to act in your best interest.

CFP® CERTIFICATION REQUIREMENTS:

Education

Unlike many financial advisors, CFP® professionals must develop their theoretical and practical knowledge by completing a comprehensive course of study at a college or university offering a financial planning curriculum approved by CFP Board. Applicants may also satisfy the education requirement by submitting a transcript review or previous financial planning-related course work. Or, they can show that they have attained certain professional designations or academic degrees that cover the important subjects in CFP Board's financial planning curriculum.



Examination

CFP® professionals must pass the comprehensive CFP® Certification Exam, which tests their abilities to apply financial planning knowledge to real-life situations. The exam covers the financial planning process, tax planning, employee benefits and retirement planning, estate planning, investment management and insurance. This comprehensive exam ensures that a CFP® professional is highly qualified to develop a plan for your finances.

Experience

CFP® professionals complete several years of experience related to delivering financial planning services to clients prior to earning the right to use the CFP® certification trademarks. This hands-on experience guarantees that CFP® professionals have practical financial planning knowledge, so you can count on them to help you create a realistic financial plan that fits your individual needs.

Ethics

When it comes to ethics and professional responsibility, CFP® professionals are held to the highest of standards. They are obliged to uphold the principles of integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence as outlined in CFP Board's *Code of Ethics*. The *Rules of Conduct* require CFP® professionals to put your interests ahead of their own at all times and to provide their financial planning services as a "fiduciary"—acting in the best interest of their financial planning clients. CFP® professionals are subject to CFP Board sanctions if they violate these standards.

Enforcement

CFP Board's rigorous enforcement of its *Standards of Professional Conduct*—including releasing disciplinary information to the public—distinguishes the CFP® certification from the many other designations in the financial services industry. Everyone who seeks CFP® certification is subject to a background check, and those whose past conduct falls short of CFP Board's ethical and practice standards can be barred from becoming certified. After attaining certification, a CFP® professional who violates CFP Board's ethical and practice standards becomes subject to disciplinary action up to the permanent revocation of certification. Through diligent enforcement of its ethical and practice standards, CFP Board provides you with the confidence that your CFP® professional is both competent and ethical.

WHAT TO EXPECT

Knowing what to expect from a financial planning relationship puts you in the driver's seat—which is exactly where you belong. To get the most out of your experience with a financial planner, you shouldn't settle for anything less than the qualities of a true professional.

1. Integrity

Trust is central to a successful financial planning relationship. You rely on your planner's honesty, professionalism and abilities to achieve your goals. When you know your planner takes his professional obligations seriously and places principles over personal gain, you can form a good working partnership. CFP Board's strict *Standards of Professional Conduct* are designed to ensure your CFP® professional acts in a professionally responsible manner.

2. Objective Advice

Your needs will be at the heart of all your planner's recommendations. A CFP® professional has an ethical obligation to act in your best interest when providing financial planning advice. Your planner will use her experience and judgment to carefully consider your situation, and then give you advice that best meets your goals. Sometimes this objectivity may require your planner to explain that your goals are unrealistic given your current resources and financial commitments.

3. Competence

CFP® professionals have demonstrated an appropriate level of knowledge to offer financial planning advice. The CFP® certification provides confidence that your financial planner has completed rigorous education and experience requirements—including continuing education coursework—designed to ensure competence in financial planning.

4. Fair Treatment

Fair treatment means your CFP® professional will clearly state what services will be provided and at what cost. Your planner will also explain the risks associated with all financial recommendations, along with any potential conflicts of interest.

5. Privacy

To get the best results from your financial planning relationship, you need to divulge relevant personal and financial information to your financial planner on a regular basis. Your CFP® professional will keep this information in confidence, only sharing it to conduct business on your behalf, at your consent or when ordered to do so by a court of law.

6. Professionalism

Your CFP® professional will not provide investment advice or stock brokerage services unless he is properly qualified and licensed to do so, as required by state or federal law. If your situation requires expertise which your CFP® professional does not possess, he should suggest other professionals who may assist you.

7. Diligence

Before engaging you as a client, your CFP® professional will discuss your goals and objectives and explain what you can expect from the relationship. Once your planner has determined that she (or her staff or network of related professionals) can assist you, the planner will make recommendations suitable for you. A diligent planner will reasonably investigate the products or services she recommends and closely supervise any staff working with you.

FINDING A CFP® PROFESSIONAL

Choosing a financial planner may be one of the most important decisions you make for yourself and your family.

Ask your family and friends to recommend any CFP® professionals they may have worked with. You can also search for CFP® professionals by using the search tool on **letsmakeaplan.org.**

WHAT TO ASK

Even when a financial planner comes highly recommended, it's wise to take the time to interview several candidates to make sure you'll be working with someone who is right for you. These eleven questions will help you find a competent, qualified professional whose business style suits your particular needs.

1. What experience do you have?

Find out how long the planner has been in practice and with what types of companies he has been associated. Ask for a brief description of work experience and how it relates to the planner's current practice. CFP® professionals complete several years of experience related to delivering financial planning services to clients prior to earning the right to use the CFP® certification trademarks.

2. What are your qualifications?

Ask what licenses and other financial services credentials your planner holds. Find out how the planner stays current with changes and developments in the financial planning field. CFP® professionals expand their knowledge and stay up-to-date through mandatory continuing education courses. If the planner holds a financial planning designation or certification, you can check her background with the relevant professional organizations. For CFP® professionals, visit **cfp.net** or call 800-487-1497.

3. What services do you offer?

Financial planners offer different services depending on a number of factors, including credentials, licenses and areas of expertise. Generally, financial planners cannot sell insurance or securities products such as mutual funds or stocks without proper licenses, or give investment advice unless registered with state or Federal authorities.

4. What is your approach to financial planning?

Make sure the planner's investing philosophy isn't too cautious or overly aggressive for you. Find out whether the planner will carry out the financial recommendations or refer you to others to implement his recommendations.

5. What types of clients do you typically work with?

Some financial planners prefer to work with clients whose assets fall within a particular range, so it's important to make sure the planner is a good fit for your individual financial situation. Keep in mind that some planners require you to have a certain net worth or level of investable assets before they will offer services to you. When searching on **letsmakeaplan.org**, you can specify your investable asset range to find a financial planner whose services best match your needs.

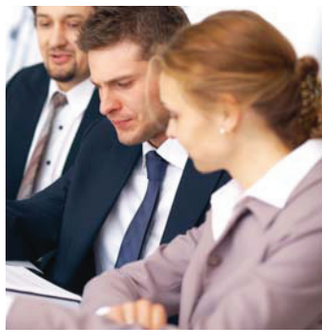
6. Will you be the only person working with me?

Some financial planners work with their clients directly, and others have a team of people who help out. You may want to meet everyone you'll be working with. If the planner works with professionals outside her own practice (such as attorneys, insurance agents or tax specialists) to carry out financial planning recommendations, get a list of their names to check on their backgrounds.

7. How will I pay for your services?

Planners can be paid in several ways: through fees or commissions or a combination of both. As part of your written agreement, your financial planner should make it clear how they will be paid for the services to be provided.

While there is no one method of paying for financial services that is inherently better than another, you will nevertheless want to consider, and discuss with your planner, how the method of compensation could affect the advice you receive or the way you work with the advisor. You and your financial planner should discuss these issues, including any conflicts of interest that may be created by the method of compensation.



8. How much do you typically charge?

Although what you pay the financial planner will depend on your particular needs, the planner should be able to provide you with an estimate of possible costs based on the work to be performed. Costs should include the planner's hourly rates, flat fees, or the percentage of commission received on products you may purchase as part of the financial planning recommendations.

9. Could anyone besides me benefit from your recommendations?

Some planners have business relationships or partnerships that can affect their professional judgment, preventing them from acting in your best interest. Ask the planner to provide you with a description of conflicts of interest in writing. For example, financial planners who sell insurance policies, securities or mutual funds have a business relationship with the companies that provide these financial products. CFP® professionals agree to abide by a strict code of professional conduct and are required to disclose any such relationships.

10. Have you ever been publicly disciplined for any unlawful or unethical actions in your professional career?

Several government and professional regulatory organizations, such as the Financial Industry Regulatory Authority (FINRA), your state insurance and securities departments and CFP Board, keep records on the disciplinary history of financial planners and advisors. If a CFP® professional violates any of CFP Board's standards, he is subject to disciplinary action up to permanent revocation of certification. Ask which organizations the planner is regulated by and contact these groups to conduct a background check.

11. Can I have it in writing?

Ask your planner to provide you with a written agreement that details the services that will be provided. Keep this document in your files for future reference.

FINANCIAL SELF-DEFENSE

Check the news on any given day, and you'll probably find stories of financial fraud. Unfortunately, this type of fraud is widespread and affects people everywhere, regardless of their age or wealth.

The good news is that you can protect yourself from financial fraud. Choosing to work with an advisor who holds CFP® certification provides confidence that your financial planner is both competent and ethical.

To help you fight fraud and avoid being taken advantage of by an unscrupulous advisor, CFP Board has put together the *Consumer Guide to Financial Self-Defense* which includes these and other tips:

- Ask your advisor to provide services with the "duty of care of a fiduciary." This obligates her to base her recommendations in your best interests when providing financial planning advice, fully disclosing any conflicts of interest (actual, potential, or perceived). If the advisor avoids the question or doesn't understand the term, go elsewhere.
- Ask your advisor to list the pros and cons of each investment idea. If you hear only the pros, you're not getting the full story.
- Understand your investments. Ask if you don't understand, and get a second opinion if necessary.
- Take your time before any decision—and don't make major decisions just after a life change, like a divorce or the death of a loved one. Find a trusted family member or friend to help in reviewing or making the decision.
- Before agreeing to any transaction, carefully consider the charges you'll incur and the timing involved.
- Never leave blanks on paperwork, and always ask for final or submitted copies (with the word "final" or "submitted" stamped right on them).
- Always make your checks payable to the advisor's business or custodian—not the advisor himself. Question any situation that gives your advisor unlimited access to your money.
- Make sure you receive regular statements from independent third-party sources—not just from your advisor.

CONTACT US

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ABOUT CFP BOARD

Certified Financial Planner Board of Standards, Inc. (CFP Board) is a nonprofit certification and standards-setting organization whose mission is to benefit the public by granting the CFP® certification and upholding it as the recognized standard of excellence for competent and ethical personal financial planning.

The public benefits from the high standards for the practice of financial planning that are represented by the CFP® certification. CFP Board fosters professional standards in personal financial planning through setting and enforcing the education, examination, experience, ethics and professional conduct requirements for the Certified Financial Planner™ certification.

CFP Board owns the CFP® certification trademarks in the United States and awards the right to use those trademarks to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

Learn more about CFP Board, CFP® certification and financial planning at **letsmakeaplan.org**.

NOTES

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