

SEC Offers Primer on Selecting a Financial Planner

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Finding the right financial planner can be a confusing process. To simplify the search, the SEC has released a new bulletin that contains tips for finding one. It also contains a list of questions consumers should ask planners - and that all planners should be prepared to answer.

"Just like a grocery store offers more products than a convenience store, some financial professionals offer a wide range of products or services, while others offer a more limited selection," the bulletin says, after urging consumers to read all documents provided by a prospective planner before hiring him or her.

The SEC's tips for investors include the following:

- Do your homework and ask questions.
- Find out whether the products and services available are right for you.
- Understand how you'll pay for services and products, and how your financial professional gets paid as well.
- Ask about the financial professional's experience and credentials.
- Ask the financial professional if he or she has had a disciplinary history with a government regulator or had customer complaints.

The commission's checklist of questions for investors covers three areas: expectations from the relationships; the planner's experience and background; and products.

The questions are as follows:

Expectations of the Relationship

- How often should I expect to hear from you?
- How often will you review my account or make recommendations to me?
- If my investments aren't doing well, will you call me and recommend something else?
- If I invest with you, how can I keep track of how well my investments are doing?

Experience and Background

- What experience do you have, especially with people like me? What percentage of your time would you estimate that you spend on people with situations and goals that are similar to mine?

- What education have you had that relates to your work?
- What professional licenses do you hold?
- Are you registered with the SEC, a state securities regulator, or FINRA?
- How long have you done this type of work?
- Have you ever been disciplined by a regulator? If yes, what was the problem and how was it resolved?
- Have you had customer complaints? If yes, how many, what were they about, and how were they resolved?

Products

- What type of products do you offer?
- How many different products do you offer?
- Do you offer "house" products? If so, what types of products are they, and do you receive any incentives for selling these products, or for maintaining them in a customer's account? What kind of incentives are they?

Payments and Fees

- Given my situation and what I'm looking for, what is the [best / most cost effective] way for me to pay for financial services? Why?
- What are the fees that I will pay for products and services?
- How and when will I see the fees I pay?
- Which of those fees will I pay directly (such as a commission on a stock trade) and which are taken directly from the products I own (such as some mutual fund expenses)
- How do you get paid?
- If I invested \$1,000 with you today, approximately how much would you get paid during the following year, based on my investment?
- Does someone else (such as a fund company) pay you for offering or selling these products or services?