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CAPITAL MANAGEMENT

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Greetings!

Our newsletter this month is titled "The Potential Benefits of Working with a Financial Advisor."

Thank you for your thoughts and feedback on our newsletters. If you know someone who may benefit from this information, please pass it on. If you have any questions or comments, please contact us.

Regards,

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The Potential Benefits of Working with a Financial Advisor

No matter what your level of investment experience or sophistication, you may benefit from developing a relationship with a financial advisor. Why? Because a qualified financial advisor is trained to analyze your personal situation and design a program to help you address your unique financial goals and objectives.

What's in a Name?

Financial advisors (also called financial planners or financial consultants) can earn certifications or designations by completing accredited courses of study. Listed below are some frequently sought designations.

- Chartered Financial Consultant™ (ChFC) -- This program focuses intensively on areas such as estate, retirement and insurance planning. It is similar to the CFP designation (see below).
- Certified Financial Planner® -- Generally CFP® is a much sought after designation for those who wish to offer financial planning advice. This designation is awarded by the Certified Financial Planner Board of Standards, Inc.
- Chartered Life Underwriter® (CLU) -- This designation represents an advanced certification in life insurance and estate planning. The CLU is widely considered to be the insurance industry's most respected designation.
- Retirement Income Certified Professional® (RICP) -- This program focuses on training professionals to help clients turn accumulated assets into retirement income.
- Master of Science in Financial Services (MSFS) -- This program focuses on planning strategies for affluent clients.

Accredited Estate Planner® (AEP) -- This designation is conferred by the National Association of Estate Planners & Councils upon certain types of credentialed professionals (e.g., CPAs, attorneys, and others) who meet stringent education and/or experience requirements in the area of estate planning.

In addition to any potential salary they may earn, financial advisors are usually compensated in one of three ways.

1. Fee only -- Charge a fee for their time and services, but sell nothing.
2. Commission only -- Charge a commission on the sale of investment products such as mutual funds, stocks, bonds, or insurance products.
3. Hybrid -- Charge both a planning fee and commission on transactions.

Although all three methods of compensating financial advisors are used, some people prefer to simply pay a financial advisor for services provided, in much the same way you would pay an accountant or a lawyer for advice.

Do Your Due Diligence

Knowing what to expect from a financial advisor can help put you at ease and set the foundation for a long and trusting relationship. Here are interview-style questions to ask in an introductory meeting or phone call.

- What is your educational background?
- What (if anything) did you do before becoming a financial advisor?
- Do you offer specific or general recommendations?
- Will you help to implement these recommendations?
- Do you offer financial advice on noninvestment issues, such as estate law or accounting?
- If so, at what point would you bring in someone else to help?
- How do you keep in touch with your clients?
- Do you initiate annual reviews, or should I?

Getting Started

At your first official meeting, you and your advisor will identify your financial needs and goals. Although it sounds simple, this can be harder than you think. Your advisor will be able to ask you the right questions to help you to determine what your goals are, just in case you aren't sure yourself.

To prepare for your first meeting, call your advisor and ask what specific documents and information you should bring. These may include essential documents such as wills, copies of insurance policies, pension information and investment account statements. In addition, you should be prepared to answer or at least discuss the following questions:

- Retirement -- When do you plan to retire? In what style do you expect to retire? Do you have any retirement savings?
- Income and savings -- What is your current income and rate of savings? Do you anticipate a change in jobs, leaving a job to stay home with children, or starting your own business?
- College -- Do you have plans to fund or help fund your children's education?

- Disasters -- Are you prepared for the unexpected? If you lost your job, had a serious accident, or contracted a serious illness, would you be prepared financially?
- Estate planning -- Do you have a will? Have you considered the tax implications of transferring your estate to your heirs?

After you and your financial advisor have established your objectives, your advisor will create a plan and review it with you. At a minimum, the plan may include making sure specific short- and long-term goals are provided for, that you have sufficient insurance, and that you have cash reserves to meet unexpected financial needs.

Taking Charge

By deciding to consult a financial advisor, you have begun to take charge of your finances. A professional financial advisor will help you identify your planning goals and create a plan that may help achieve them. In the years to come, your advisor can become a trusted friend and confidant. And together, you can work toward creating and implementing a financial plan that is suitable for you.