

Planners Wanted ASAP

When seeking advice, avoid playing minnow to the sharks.

Jane Bryant Quinn

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Needed: 50,000 new financial planners, and in a hurry. Boomers are reaching pre-retirement and retirement age, and, often, they're clueless about what to do with their money now. They're eager for help with decisions that could make or break their lives: Can I afford to retire? Should I take a pension or a lump sum? What's a suitable investment? How do I make my nest egg last? There aren't enough people trained to answer those questions well, says Deena Katz, associate professor in the Personal Financial Planning department of Texas Tech University in Lubbock.

As always, the issue is quality, and the financial sharks are circling. "That keeps me up at night," says Sheryl Garrett, founder of Garrett Planning Network, an association of nearly 300 independent planners. "There are so many people drooling over all the money that's going to be coming out of retirement plans."

Last year, the National Association of Securities Dealers fined Citigroup Global Markets \$3 million and ordered \$12.2 million in restitution to more than 200 former employees of BellSouth. A team of Citibank brokers had persuaded the workers to retire early, cash out their pensions and 401(k)s and wheel the money into investments. The brokers claimed that the retirees could earn 12 percent a year even in "ugly" times, withdraw 9 percent and live on the money. Needless to say, it didn't work. Citigroup settled, without admitting or denying the charges.

If you're looking for advice, how do you avoid playing minnow to the sharks? Start by seeking the help of a financial planner. Unlike investment advisers, planners take a holistic view of your situation—your personal needs and goals, how much you can afford to spend, whether you need long-term care insurance and ways of conserving capital.

The credible planners will have at least one of three designations on their business cards: Certified Financial Planner (CFP, the best-known credential), Chartered Financial Consultant (ChFC, for planners who use insurance to reach financial goals) or Personal Financial Specialists (PFS, held by certified public accountants). All three will have taken serious courses and passed difficult exams.

Winnow down the planners to those who practice as "fee only." That means they sell no products and take no commissions. You pay for advice by the hour (at rates of \$150 to \$350), by the project (\$2,000 to \$6,000 for a stand-alone financial plan) or, if they manage your money, a fixed percentage of your portfolio (typically 1 percent—a fee that covers planning, too).

Commissioned planners and stockbrokers, by contrast, make their living by selling you stuff, especially tax-deferred annuities, insurance and high-fee mutual funds. You may get a "plan," but it's designed to collect your money rather than help you articulate goals.

Brokers who are weary of this kind of selling are leaving their firms and setting up as independent, registered investment advisers (RIAs). Some of them earn a CFP, too. Firms such as Schwab Institutional, Fidelity Institutional Wealth

Services and TD Ameritrade provide a range of services to help them establish their offices. These "breakaway brokers" start by charging both commissions and fees—a business model called "fee-based." Over time, they tend to migrate to a full, fee-only practice.

The breakaways worry Mary Schapiro, head of the Financial Industry Regulatory Authority (FINRA), which regulates brokers and brokerage firms. "If they needed regulation as brokers, they need it as advisers," she says. RIA oversight falls to the states and the Securities and Exchange Commission, whose enforcement isn't as well funded as FINRA's. A recent, coordinated examination of RIA firms by 43 states found a high percentage of them charging excessive fees, making unsuitable recommendations or misrepresenting their advisers' qualifications. The best RIAs for retirement planning have CFPs and a fee-only practice. Even then, be aware that their interest lies in getting all your money to manage.

Planner Tom Orecchio of Greenbaum and Orecchio in Old Tappan, N.J., sees a rise in CFPs coming from America's colleges. Some 300 academic offerings are now registered with the CFP Board of Standards. [Virginia Tech in Blacksburg offers undergraduate courses in financial planning.](#) Texas Tech's department includes a Ph.D. in planning, training students for professorships at other schools.

The schools, however, turn out only a modest number of graduates each year. Most planners enter the field as a second career. The magazine *Fast Company* calls this one of the top jobs of the future—foreseeing 35 percent growth through 2012, and with great salaries, too. Consider it if you have a head for numbers plus people and counseling skills.

The Garrett Planning Network and Cambridge Advisors both help career-switchers transition into the business as fee-only planners, serving middle-income clients. Their Web sites will list a planner near you. When making your choice, however, look for one who's been in practice for a while. Let new CFPs learn their trade on someone else.

Correction (posted March 5, 2008): This article originally erred on the location of Virginia Tech and in its description of the school's financial planning program. Those errors have been corrected in the text.

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