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THE FINANCIAL PLANNER GAME

By Fred Dunbar

I'm writing this over the Fourth of July holiday weekend. It seems like the world is still in chaos. The novel coronavirus is spiking again, most sharply in our Southern states. We are seeing governors closing their beaches and bars as they try to rein in the spread of the virus. Thankfully, as I write this, our beaches are open, and the majority of the beachgoers practiced social distancing, or at least they did on my beach. Maybe by the time you read this, we will be able to enjoy a meal inside our favorite restaurant.

Some of you reading this may wonder: Will I ever be able to stop working and enjoy retirement? If you are struggling to do a financial plan for yourself, then seek out a professional.

The first thing to do is to find a financial planner, which is someone who works with businesses and individuals to create a plan to meet their long-term financial goals. Generally, a financial planner is also a financial adviser, someone who can also help manage your investments and other accounts. But not every financial adviser (broker) is a financial planner, so be diligent in your search. Some financial advisers only want to manage money and might be a little shortsighted on helping you focus to achieve your goals. A good financial planner will look at everything including estate planning, insurance, investment management and tax planning, and will provide a holistic approach.

Check with your friends, family, or co-workers to see if they are working with a financial planner. If they are happy with that person, they will certainly introduce you. Get a list of three financial planners to interview and ask each of them the same questions. Think of this like "The Dating Game," created by Chuck Barris. Instead of looking for a date, you are looking for financial independence with the help of the financial planner you choose, someone who will monitor your portfolio with your best interest in mind.

Financial planning is a relationship, and you want to choose someone you are comfortable with, someone who shares your values. Most financial planners will offer an initial consultation at no charge. It is as important for the financial planner to make sure they can work with you as well. At that initial meeting, they should provide you with their Form ADV 2A and 2B. Form ADV 2A is the most important primary disclosure document that investment advisers offer their clients. It also includes a supplement (Form ADV 2B), which details information about key employees who directly provide investment advice to clients. As of July 1, 2020, they will also provide Form ADV 3, which is a customer relationship

summary. Basically, it is the CliffsNotes about the adviser. If they are not offered, or they don't have one, you should not work with that individual.

What is the cost of their advice and how do you pay for it? Be wary of an adviser who will do a plan for free or provide a simplified low-cost plan that is nothing more than a loss leader to find clients. They may pitch non-necessary products like annuities or insurance as investments that will pay them a commission. Make sure you know how the person is getting paid. A fee-based financial adviser will also provide you with a sample Investment Advisory Agreement showing you their hourly fee for services such as budgeting and cash flow, income tax planning, education planning, retirement planning, estate planning, investment analysis, and fringe benefit analysis. Also, that agreement will outline their fee for investment management of assets. You should always know what you are paying for.

A fee-based financial planner is held to the highest fiduciary standard. A fiduciary will provide that your interest will always take a priority over the interest of the adviser. A broker is not a fiduciary and is not held to that same standard. The term adviser is very broad, so be careful, as an adviser may or may not be a fiduciary.

Look for experience and qualifications when choosing an adviser. A good starting point is to check to see if the planner is a CERTIFIED FINANCIAL PLANNER™ professional or a Chartered Financial Consultant® (ChFC®). You may find two planners who have both been in the business 20 years. Maybe one has one year of experience 20 times, while the other adviser has 20 years of experience. It is amazing how many times over the years someone has said to me that their previous adviser was a great person, but that doesn't mean they are a great financial adviser.

Years ago, around the turn of the century during the dot-com bubble, we met with a referral. She had gone through a bitter divorce, and her broker never updated the investment risk of the portfolio that she received as part of the divorce settlement. The broker kept the same risk that her ex-spouse was comfortable with. That was fine for him, as he was still working and earning a substantial income. Her portfolio should have been changed to a lower risk, similar to a retirement portfolio since she was a full-time, stay-at-home mom. Well, her portfolio continued to go down, and each time she spoke with her broker, he would be condescending and would tell her not to worry about it. By the time we met, her portfolio had been decimated.

As she told me her story, I was in disbelief. It was amazing how this woman still liked her former broker, saying he was a great family man who coached Little League, always had wonderful family vacations, etc. She still felt he was a great person despite the fact that he had never listened to her, which negatively affected her portfolio. A financial planner is not about having a great personality (although it helps); it is about the person's education, experience and reputation. I recommended she seek legal counsel.

Once you have narrowed your search and feel comfortable with the individual you want to help you develop your financial plan, your work is not done. You should also do a background check into the adviser and their firm. You can either do a Google search for Broker Check by FINRA (brokercheck.finra.org) or Investment Adviser Public Disclosure (adviserinfo.sec.gov) and type in the person's name and company. Use me as your example, and type in Fred Dunbar. It will show you my full name, Frederick John Dunbar, and where I'm located. It will also provide the number of years of experience, examinations passed, and states in which I'm licensed. So, before you work with anyone, make sure you do your homework.

Remember, the financial plan is yours, and you should always be in charge.

Now that you are on your way to solidifying your financial future, grab your book, chair, and favorite beverage, and head to the beach. Don't forget the sunscreen and to socially distance yourself at the beach.

*The above story is a hypothetical case study for illustrative purposes only. It does not constitute a recommendation as to the suitability of any investment or action taken in the story. Actual performance and results may vary.

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