

Money Matters: Suze Orman's Take on Financial Planners

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Suze Orman is a media star in the buttoned up world of financial planning. Accordingly, it's easy for some professionals to dismiss her as a "lightweight," even though she does a credible job preaching financial common sense to overspending, undersaving American public.

In particular, Orman has sound advice if you seek a good financial planner. It really boils down to just five words: someone who doesn't sell products. Orman shows tremendous integrity since she easily could have become a mouthpiece for powerful insurance and brokerage industry interests. Instead, she says it's important to reduce conflicts of interest by seeking advice from professionals who do not want to sell you products.

Here are some practical tips Orman recommends you follow to find an objective financial advisor:

Tip No. 1: Always go to the office of the planner instead of having him/her come to you. This is one way to see if a professional is neat and organized (or not). As Orman observes, a planner or advisor who can't keep his/her own items in order can't help you keep your life in order, either.

Tip No. 2: A planner should ask about all aspects of your life (health, relationships, liabilities) – not just ask "how much money do you have?" and then immediately offer a solution that is product-driven (e.g. annuities).

Tip No. 3: Ask what the planner or advisor's credentials are. Orman unambiguously recommends a Certified Financial Planner (CFP) Certificant because it requires financial planning study, planning work experience and passage of a grueling 2 day national exam. The CFP designation increasingly is seen as a required standard for financial advisors. You can research CFPs by going to cfp.net. CFP Practitioners voluntarily hold themselves out to a CFP standard – any infractions by a CFP are a matter of public record on the CFP website.

Tip No. 4 – the most important tip! Ask how the advisor is compensated. Orman recommends someone who charges a flat or hourly rate (in other words – a Fee-Only planner). Orman likes fee-only advisors who are members of the National Association of Personal Financial Advisors (napfa.org).

How you pay someone to give you advice or manage your investments speaks volumes

about whether advice best serves the advisor or you. If product sales are mixed together with advice, the potential for conflicts of interest go up and objectivity may be compromised. Orman says advisors should immediately address the issue of compensation with clients in a transparent manner.

In addition to Suze Orman's tips, I would add the following:

1. Do your homework if you're looking for an objective financial planner or advisor...otherwise it's "caveat emptor" (buyer beware). Registered Investment Advisory firms (RIAs) are answerable to state or federal authorities. Authorities are empowered to conduct spot audits and require a relatively high standard of compliance.

All Registered Investment Advisory firms must give all prospective clients copies of their compliance paperwork (called "Form ADV") filed with regulators. What's in these detailed reports? For example: details about fees, educational background, work experience and investment/planning methodology. If you type in a Registered Investment Advisory firm or advisor name, you can access the "Form ADV" (compliance paperwork) and see if there is any record of violations or misconduct: sec.gov/investor/brokers.htm

2. If your advisor or planner manages money, your account should be visible 24/7 at an institution such as TD Ameritrade, Schwab or Fidelity. Madoff clients learned this lesson the hard way.

3. Be clear about "Fees." Some advisors are Fee-Only (no product sales; flat fees, hourly fees or a percentage of assets managed). Other advisors are Fee-Based – a description that sounds suspiciously like Fee-Only but is quite different....Fee-Based advisors do sell products as well as billing on a flat fee basis. Even financial journalists routinely use the terms interchangeably, which adds to the confusion.

In sum, look for qualities Suze Orman recommends if you're looking for a financial planner or advisor...then access further online tools by going to cfp.org, napfa.org and sec.gov/investor/brokers.htm. The napfa.org website has an excellent guide to "how to find a financial advisor."

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