IRONSHIELD®
FINANCIAL PLANNING

HOW TO CHOOSE AND WORK WITH A FINANCIAL PLANNER YOU CAN TRUST

A CONSUMER AWARENESS GUIDE

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About Mike Chronowich

Many of my clients had come to me after unfortunate and sometimes financially damaging experiences with previous financial advisors. They expressed their frustration with this planner's customer service, their losses while using this planner's strategy, and their anger that the situation had gone on for so long unchecked.

What they did lack was a specific set of requirements for a financial planner.

Please read this guide carefully, and use it in your search. I sincerely hope it guides you to the best financial planner for you.

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Before You Start Looking

One of the biggest disadvantages you can give yourself when searching for a financial planner is lack of knowledge.

When your potential advisor asks you what your plans and goals are, what you're currently doing, and what your financial state is like today, you'll want to be able to answer authoritatively and with certainty. You don't want to feel unsure or insecure about your lack of knowledge. If you do, you'll be likely to trust this financial advisor simply because he is more confident than you are.

Raise your level of confidence, and ask yourself a few questions that will make you a more informed client. This knowledge will help you determine whether the financial planner's guidance is mere bluffing, or if it seems to fit with your idea of your financial state. Here are a few ways to raise your level of confidence, secure your ideas about what you're looking for, and get you to a place where you can determine whether this financial planner can really help you.

Make a Commitment to Yourself

Many people would prefer to think about their finances as little as possible. It's an uncomfortable subject, sometimes even sensitive, and it frightens them to think they might not be prepared. They'd much rather have a financial planner who promises to "handle everything" without their involvement.

Here are the bare facts: if you don't know why your financial plan works the way it does, you're at the mercy of your planner, and that's never a good idea. When your advisor makes a recommendation, you should be able to understand it and make a reasonably informed decision.

The payoff for being involved in your own financial planning is immense. Fewer than one in five Canadians currently has a comprehensive financial plan, and fewer still work directly with their planner.

Those who do, however, are worth more, have more assets and investments, and have a more positive emotional outlook while feeling comfortable and closer to achieving their life goals.

That's right. Being involved in your financial planning is actually less scary, better for your health, and more fulfilling than not being involved.

Sounds like a pretty good reason to start working with a financial planner, doesn't it?

Set Tangible Goals

Every financial planner has (or should have) a different area of expertise, and most of them will be able to recommend specific plans based on your goals.

Write down the following questions and give your best answer to each of them:

- What income are you hoping to maintain throughout your retirement?
- What age do you want to retire?
- Where do you want to live when you retire?
- What do you want to be able to do during your retirement?

Those questions are probably well within your ability to answer, but try these on for size:

- What is your attainable retirement income?
- What is the required rate of return to sustain your retirement income?
- Which investment solutions are best suited to accomplishing your goals?

Most of you won't be able to answer those questions. A good financial planner will be able to - and he'll be able to explain why, as well.

Set Personal Goals

Your personal goals are very nearly as important as your tangible ones. These are goals that are specific to you and your personality. You may know that you're willing to take semi-risky investments if the payoff is good enough. You may be much more comfortable with slow, steady growth, even if it means setting aside more money each month.

Write down specific personal goals for this financial plan. For example, “I would like to continue traveling once a month,” or “I am not willing to take major risks.” You can phrase these however you like; no one will see this list but you. It’s important to be clear on what you need and what would be ideal for you.

Your financial planner may or may not be able to work within your comfort zone depending on what those goals are, but any advisor should be able to offer suggestions that fit with your desires, and if not, should be able to explain why he can't. He may, for example, be unable to meet your financial goals without violating a few of your personal goals, but he should be able to offer suggestions for how to resolve that conflict and give you alternatives.

In your personal goals should also be any ideas you have about what your financial advisor’s personality should be like. Would you like one who is friendly and easy to get along with? One who communicates well and often? One who is good at giving difficult news without scaring you? Again, phrase it how you like; you’ll know it when you see it.

Identify Your Personal Deal-breakers

You should now have a list of tangible goals and a list of personal goals, including a sub-list of personal desires for what kind of financial advisor you're looking for. It's time to go through and check off which of these items are absolute deal-breakers for you.

Some of these goals will be negotiable. Maybe your financial advisor doesn't need to be friendly as long as they're professional and prompt. Maybe you'd be willing to bend on the amount of money you'd like to put aside each month. Maybe you're not sure about whether you really need this one goal, but a friend has insisted it's absolutely essential and you'd like to verify that.

Next to each item on your list, write down one of three things: "Don't Care," "Negotiable," and "Deal-breaker." Everything that falls into that Deal-breaker category should be a big red flag for you if you find an investor planner unwilling to meet your needs.

Going armed with this list, you'll be able to quickly eliminate candidates, often before you ever meet them.

These personal deal-breakers should be added to our list of overall deal-breakers, and between the two we should be able to winnow out all the financial planners who absolutely will not suit you, leaving you with only extremely strong candidates.

The Hunt

You definitely shouldn't work with the first financial planner who comes along – you'll want a list of potential candidates that you can then research thoroughly. We're going to cast a wide net at first and make a fairly long, extensive list. You won't know anything about some of these candidates initially, but don't worry – we're going to narrow it down considerably.

For now, though, don't edit. Just write down everyone who falls into the category of "financial planner." But where do you start?

Where to Start Looking

Good places to start looking for potential financial planners include:

- Your peers and family
- Your social network
- Your colleagues and financial experts (for example, your accountant probably knows a few financial planners he'd recommend)
- The Financial Planning Standards Council of Canada (click on the Find a Planner section)
- MoneySense.ca
- Online reviews and forums

Once you have a working list of candidates, do a bit of online research to determine the ones worth keeping on your list. Most of your candidates will have a website; see what they have to say about themselves and if you like the approach they're taking to financial planning.

If they have free guides or downloads, go ahead and sign up for them – those are generally good guides to how this financial planner will approach working with clients overall.

If you have any initial questions that would automatically eliminate a candidate (they don't work with the type of investment you have in mind, for example), give them a quick call and ask that question over the phone. You can eliminate a lot of candidates who look good on paper by simply asking whether they can handle your type of finances.

Jumping the Gun

It's easy to get suckered into choosing a candidate before meeting them in person because they sound so great on their website. I've had more than one client tell me they chose their financial planner because of the free online financial plan he offered, which seemed like a fantastic deal.

The free financial plan is a huge red flag for me, and here's why:

A financial planner earns his keep by creating a working financial plan for you. If he gives away a financial plan that requires no participation from him, how is he earning his money?

Usually, the answer is that he's earning it through his investment recommendations, which means he's motivated by his personal payout for those recommendations. He's not working in your best interest when he recommends an investment; he's working in his own interest.

And that's hardly ever good for his clients.

It's not bad for a financial planner to give away something for free. If I thought so, I wouldn't be giving away this free report, would I?

My concern is when a financial planner gives away a service that should require his own expertise to tailor it to the individual. You can certainly give away a free financial plan that helps your clients get an idea of their position, but he should also offer a more complete, expertly analyzed and assessed financial report that requires his full participation to tailor it to your individual needs.

If he doesn't, then seek out a financial planner whose advice is actually worth something.

Choose Your Top Candidates

By now, you may still have a fairly long list of candidates, but the odds are good that a few have risen to the top. Either you've heard good things about them, their website made you think they're a good match, or you liked their free materials so much that it gave you faith in their abilities.

Narrow it down to five or fewer candidates, and call around to set up an initial meeting. That first meeting will separate the good from the bad very quickly for you if you use this guide – and my supplementary guide that you'll find at the end of this ebook, The 12 Key Questions You Must Ask a Financial Planner Before You Hire Them.

Let's delve into the all-important initial meeting.

The Initial Meeting

No financial planner should encourage you to make a decision during the first meeting.

Period. No exceptions.

Financial planners who try to rush that decision are trying to get you to agree to their terms without considering the alternatives, which means that planner has no confidence that his abilities are equal to or better than his peers.

If you're asked to bring copies of all your investment statements to your very first meeting, that's a warning sign that you're also going to be pressured to sign a contract and hand over your financial affairs - or at the very least, make a decision - before you've had a chance to think it over.

A first meeting should be a "get to know you" meeting. You'll give her the overview of your finances and your goals, and she'll explain the process and what she'd recommend in very general terms.

A good planner will want to get an idea of your personality, your commitment to the goals you've set, and whether you have realistic expectations. You'll want to do the same: see if this person matches your list of hopeful goals for a financial planner personality-wise, and if you feel confident in their abilities overall.

Trust your gut on the first meeting. If you simply don't like this person, you're never going to be able to trust him fully with your finances even if there's no tangible reason why you shouldn't. You want someone you can enjoy working with – if they rub you the wrong way for whatever reason, move on to the next candidate and cancel your second meeting.

There are some critical questions you should ask your financial planner during the course of those initial meetings, and they're included in a bonus special report. Check out the special report attached to this guide called "The 12 Key Questions You Must Ask a Financial Planner Before You Hire Them" – and be sure to use it!

Those questions should save you from a lot of heartbreak, but you also need to look out for the following dealbreakers:

The Big Deal Breakers

There are four major deal-breakers when it comes to choosing a financial planner: the second meeting, the Letter of Engagement, the client reviews, and the financial plan. If your potential candidate lacks in any of these categories, don't look back – move on. You'll be grateful you did.

The Second Meeting

At the conclusion of your first meeting, ask to schedule a second one. Your financial planner should know that this is part of the normal process of winning a new client: the first meeting is a "get to know you" meeting, and the second is meant to be a more in-depth discussion of your financial status and how you'll be working together.

If your financial planner is serious about committing to new clients and giving them his full attention, he'll be happy to schedule a second meeting, and he'll likely have a list of information he'd like to get from you so that he's prepared to discuss your finances on a more in-depth level during that meeting.

If your financial planner pushes you to decide at the first meeting or refuses a second meeting, that's a bad sign. If he doesn't have time for a second meeting, what does that say about his willingness to give you his time when you're a client? If he refuses, simply shake hands, thank him for the meeting, and move on to the next name on the list.

The Letter of Engagement

For those who are worth a second meeting, ask for a Letter of Engagement to review afterward. If they don't provide one, this planner isn't in compliance with their Certified Financial Planner (CFP) license requirements designed to protect consumers, and that should send you out the door right away.

The Letter of Engagement lays out the details that you've discussed over the past few meetings, which should give you an idea of whether this financial planner will be attentive to your needs and prompt with his expertise on your investments.

While not all great financial planners are licensed (more on that in a moment), all good ones will offer a Letter of Engagement. Certified ones are required to, which means that if you know they are CFP licensed and they refuse a Letter of Engagement, you're dealing with someone who does not honor their obligations, and you are better off looking elsewhere.

Client Reviews

It's an unfortunate fact that experts in every industry sometimes lie to make themselves look better. Financial planners are no exception. Often you'll get the impression that he's pulled off amazing coups for his clients in the past, and you'll be excited that you could see that kind of return on your investment if you entrust this planner with your finances.

It's usually best to get that success story straight from the horse's mouth, however. Which is why you want to talk to the clients.

Ask any potential financial planner if there are previous clients of his who would be willing to talk to you about their experiences working with him. If he's a legitimate expert with a stable of clients who are very happy with his work, he should have no trouble giving you a few phone numbers or email addresses you can contact.

If he doesn't, this means one of two things: 1) he doesn't have a good enough relationship with his clients to ask that they vouch for him, or 2) he knows that his story won't match up with the client's, and he doesn't want you to find out. Either is bad news.

<u>The Financial Plan</u>

Every professional, certified or not, should have a disciplined financial planning process through which he takes his clients every time. He'll adjust that plan to the individual, but he should have a system that allows him to gather all the information he needs.

Some financial planners will have several different plans – our firm, for example, offers different plans for clients in various financial stages and for those with specific circumstances, like business owners. Your potential candidate should have one prepared and be able to briefly explain how your finances would fit into that plan.

The financial plan is non-negotiable. Every professional will have one and it will form the core of your relationship with your planner. Hiring a financial planner who doesn't have a financial plan is like hiring a carpenter who doesn't own a hammer: if he were doing his job properly, he’d always have one ready to hand.

The Non-Dealbreaker

Here’s a bit of news that may shock you: a survey by the Financial Planning Standards Council of Canada conducted a study in 2010 that found that 70.8% of people who were working with a financial planner discovered that their expert had no official certification at all.

Those planners weren’t breaking the law. You aren’t required to have certification to call yourself a financial planner. And yet most of their clients assumed these planners had been independently evaluated, and would have asked for more proof of their competence had they known they were unlicensed.

There are good financial planners out there without Certified Financial Planner licenses, and they should be straightforward about whether or not they are licensed and why they believe they’re qualified to give expert advice if they don’t have one. Ask your financial planner if he or she holds a CFP license. If not, ask why – and listen carefully to the answer.

If they have lots of experience and the results to show for it, a lack of license isn’t a dealbreaker – though definitely preferable.

Playing It Safe

Now you've got a short list: candidates who meet all your requirements, who don't have any of the deal-breakers, and whom you like well enough to schedule a second meeting. It's likely you'll make a final decision at that second meeting (though you should schedule a third if you're not absolutely certain), so you'll want to make some last double-checks before it occurs.

These double-checks are a way of playing it safe. You've already determined that your candidate passes muster professionally, and you know that you like them personally well enough that you can see yourself working with them. What you're looking for now is any evidence that this is a very talented swindler – which is to say, someone who is personable, knows all the right answers to your questions, but still has completely mismanaged clients' finances in the past.

It's pretty unlikely that your candidate falls in this category, but like the title of this section says: let's play it safe, shall we?

Call Your Client List

You remember the list of clients you asked your potential financial planner for? It's time to give those people a call.

It can be slightly uncomfortable to contact a stranger for their opinion, but your financial planner won't recommend you to people who won't like being called or who aren't happy to give a review. They should be able to tell you how much attention he paid to them, how thoroughly he researched their options, and whether they achieved the goals they set.

That said, be considerate to these clients' privacy. Don't ask their specific income, for example; simply ask whether they achieved the goals they set and if the financial planner was able to work within their personal limitations. If the client chooses to get specific about the money, that's their prerogative; it's yours to be respectful of what they may or may not wish to disclose about their finances.

Be sure to ask "why?" Some people aren't as forward with their reasons for satisfaction or dissatisfaction as they could be, and what was a turn-off to them might be exactly what you're looking for.

Let's say one client didn't like that the financial planner updated him constantly; he found it annoying. You may think constant communication is a great trait in a financial planner, but if you don't ask him why he didn't like working with him, you'll never know that this client's negative is actually a positive in your book.

Ask Your Social Network

Social proof goes a long way these days. The nice thing about getting client reviews directly from your financial planner is that he can pave the way for an introduction and you can have a fairly lengthy chat to get all your questions answered.

That said, he's going to point you to the clients who like his work best – naturally. It's only logical for any business owner to direct you to happy customers rather than unhappy ones.

Looking online will help you determine if the number of unhappy customers is absurdly high, and what they were unhappy about should give you plenty of warning signs.

Ask around on Facebook or Twitter or LinkedIn about this financial planner. "Does anyone have any experience working with John Smith? I'd love to hear your thoughts."

Do a quick Google search to see if any unfavorable reviews pop up – and get especially concerned if you see multiple people with the same complaint.

Take it all with a grain of salt, since reviews online are more likely to be unfavorable than favorable (people get excited enough to review when they're upset, not when they're content). That said, if you see multiple people saying this financial planner invested poorly or didn't give them very much attention, that should be a warning that you may be in for the same experience.

Good financial planners these days often actively encourage public review of their work, so if you see that your financial planner has several social media portals open, it's a good sign that he's confident of his reception online – which implies that his clients have a favorable opinion of him.

Four Steps To Get The Most Out Of Your Financial Planner Relationship

You’ve made your choice and found a wonderful financial planner who’s making you feel fantastic about your future. Now it’s time to get that relationship off to a great start by establishing up front that you’re the kind of client who knows what they need. These four steps should take you a long way in getting the personal attention and consistent communication you need from a financial planner.

Establish Lines of Communication

Everyone has different standards for how often they’d like to be updated on their financial plans progress. You should speak to your financial planner up front about when you can expect reports, analyses, and recommendations on changes you might wish to make to your plan.

Put those dates down on a calendar and make sure you follow up. If your financial planner consistently misses promised dates for reports or analysis, it may be a sign she’s not paying enough attention to you as an individual client.

Stay True to Your Commitment

Your financial planner should be working hard to hold up his end of the bargain: re-calibrating your plan each year, finding the right investment solutions for you, monitoring them closely, and giving you regular reports on how they’re performing and whether he recommends making any changes.

Meanwhile, you’ve also made commitments as to how much you’re putting aside for your savings, in your RRSP, and other investments. You’ve made commitments to monitor your spending and report to your financial planner if anything changes. You have every right to hold your financial planner to her commitment – but she can’t do her job well unless you hold up your end of the bargain.

Automate Your Success

Keeping your financial goals in plain sight is an excellent way to make sure you stay committed, particularly when it comes to savings. If you’re not used to sticking to a financial plan, it can be difficult to remember to follow the steps to your goal – and usually the first couple of weeks are the hardest.

While you’re new to the financial plan your planner has created, give yourself as many visual reminders as possible on what your goals are and how you intend to stick with them. You can also make lists of any changes that need to be made – for example, if you’re upping the amount of money you put into savings each month, you might set up an automatic withdrawal from your bank to keep you on track.

Keep No Secrets

Many people find that once they’ve hired a financial planner, they progress faster than expected and are now able to spend their money “without guilt”. That heady feeling of being completely in control is addicting, and it influences many people in ways that can potentially be dangerous if you don’t keep an eye out.

For example, you may want to start upgrading your lifestyle: buying a new car, investing in a vacation home, or even picking up a new hobby that requires expensive lessons and gear. That's all good fun, and you should feel free to indulge a bit if you find you can afford to, but keep your financial planner abreast of these changes so he can incorporate them into your overall plan.

He may even be able to use your new spending habits to his advantage and get you to your goals sooner than you'd hoped – but he can't do that if he doesn't know what's going on, and keeping him in the dark will almost assuredly have a negative impact on your plan.

That's the Process

Now, I can’t let you go empty handed.

So, when you are ready to have your first meeting with a Financial Planner, I’d like to provide you with a free guide to help make sure you don’t lose your way.

12 Key Questions You Must Ask A Financial Planner Before You Hire One!

You’ll want to take this guide with you into your initial meeting, and make sure to ask every one of the questions – any good financial advisor will show even more trustworthy and professional qualities as he answers and any bad financial planner will quickly reveal his weaknesses.

These two guides together should help you find a financial planner you can trust with your future – and I’m honored that you’ve let me help you with that.

If you think our firm can be of any assistance to you, please do give me a call directly and we’ll see if we’re a good match.

Don’t be afraid to subject me to this criteria, either! I want all my clients to be confident that I’m the right financial planner for them – and if I’m not, I want to be able to help them find the right one. Call me anytime with questions; I’ll get back right back to you.

Here's to your successful financial plan,

Mike Gomes

IRONSHIELD Financial Planning®

About The Author

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Senior Financial Planner & CEO Scott's passionate belief in the power of a written financial plan, as well as his commitment to independent advice, led him to start his own firm in 1993. By following the principles of financial planning in his own life, he has proven to himself, beyond a doubt, the power of the process. This disciplined process became the KAIZEN Financial™.

Able to think "outside the box", Scott gets to the heart of a client's issues and concerns about their personal finances allowing them to progress beyond their perceived limits. His enthusiasm and genuine desire to bring order and success to this often tangled, sometimes neglected area of a client's life, as well as his ability to explain complicated strategies in plain-English have a loyal and satisfied clientele.

Scott specializes in working with successful business and career-oriented individuals, helping them to achieve success with their personal finances without sacrificing their own leisure and family time. To streamline the needs of his personal business-owner clients, Scott ensures a complete co-ordination of their business and personal affairs. Through a vigorous study program, Scott attained the designation, Chartered Financial Planner. In addition to this designation, Scott was among the first to receive the Certified Financial Planner™ license in Canada.

Scott also maintains a commitment to continuing education, realizing that in today's marketplace, change takes place quickly. As client needs evolve and change, so too do new investment products, new insurance strategies and changes to the Income Tax Act. Scott keeps on top of all of this to continually bring value-added to his client relationships.

Scott has become a one-stop resource in his clients' financial lives, with referral relationships with lawyers, accountants, real estate professionals and mortgage brokers, to name a few.

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