8 Myths About ‘Real’ Financial Planners

While American consumers generally hold financial planning and financial planners in high esteem, they also hold many myths about financial planners that sometimes make them hesitant to employ the services of a qualified financial planner. Here are eight truths behind the myths about “real” financial planners

Myth #1. Financial planners are the same as stockbrokers or other financial salespeople. The primary function of a stockbroker, insurance agent or other financial salesperson is sell financial products. The main purpose of a financial planner is to help clients crystallize their goals and effectively manage their personal finances in order to achieve their goals and financial independence. This may or may not involve the purchase of securities, insurance or other financial products. While many financial planners are licensed to sell certain financial products, true financial planners put the interests of the client first, not the sale of products.

Myth #2: Financial planners are primarily investment advisors. Financial planners counsel clients in many aspects of their financial lives: determining goals, cash flow, taxes, retirement, college, business planning, estate planning and insurance, among others. Investing can certainly be an important part of these areas, but it is not the only part and it usually is not the primary focus of a planner. Think of the financial planner as a football coach designing a financial game plan and seeing that it is properly executed, often with the help of outside specialists such as attorneys, stockbrokers, insurance agents and CPAs, in the best interests of the client.

Myth #3: Financial planners only do “big plans.” Financial planners frequently assist consumers with a single issue, such as saving for college, developing a realistic budget, rolling over a retirement account or helping them through the financial aftermath of the death of a spouse. Yet good planners provide this focused advice in the context of a person’s overall financial goals, needs and situation, so that recommended actions don’t undermine other aspects of their financial life.

Myth #4: Financial planners serve only the affluent. While some financial planners work exclusively with affluent clients, many work with modest-income clients.

Myth #5: Financial planners aren’t worth the “expense.” Naturally, financial planners charge for their services just as do attorneys, doctors or any other professionals. But think of it as an “investment” rather than an “expense.” That’s because any good financial planner should save and earn you far more money than what you pay the planner in fees or commissions. This “investment” might be accomplished by improving cash flow through better budgeting, reducing your tax liabilities, boosting investment returns, or even preventing a costly financial catastrophe through the application of insurance or other defensive measures. This is to say nothing of the intangible benefits such as peace of mind, time saved and a better focus on one’s financial life.

Myth #6: Legitimate financial planners charge only fees. Financial planners charge in a variety of ways, including hourly fees, fees based on clients’ invested assets, annual retainers and commissions from the sale of financial products. Some planners offer a choice of compensation, depending on the services. Each type of arrangement has its advantages and disadvantages. The key is that the planner fully discloses how he or she charges, that you understand the pros and cons of each form of compensation, and that the arrangement best fits your needs.

Myth 7: Most people don’t need financial planners. During the heyday of the bull market, the prevailing attitude among consumers was to “do it yourself.” As many have painfully learned in the last three years, they could have used the expert advice and objectivity of a planner to keep them financially diversified, flexible and focused on their long-term goals during a soft economy, growing unemployment and bad markets. A financial planner is someone to “lean on” in this complicated financial world and during troubled personal financial times.

Myth #8: All financial planners are CERTIFIED FINANCIAL PLANNER™ professionals. Many people who call themselves financial planners are not CFP® professionals. Planners who attain the CFP® certificate must meet certain work and education criteria, pass a rigorous exam, and meet continuing education and ethical requirements in order to attain and maintain their certificate.