

Making the Most of a Financial Professional's Expertise

One of the best things you can do for yourself and your family is managing your finances responsibly. Even if you see investing as overwhelming or complicated and boring, you need to know the basics behind a well-thought-out investment strategy – at least enough to protect yourself from fraud and/or communicate effectively with a financial professional or spouse.

Here are some tips for making the most of a financial professional's expertise.

First, you'll need to understand how a financial professional is compensated for his or her services. Some receive a fee based on an hourly rate (usually for specific advice or a financial plan) or on a percentage of your portfolio's assets or income. Some receive a commission from a third party for any products you may purchase. Others may receive some combination of fees and commissions, while still others may simply receive a salary from their financial services employers.

Don't be reluctant to ask about fees; any reputable financial professional shouldn't hesitate to explain how he or she is compensated.

Even if you're a relative novice when it comes to finances, don't be afraid to ask questions if you don't understand what's being presented to you. You're not being rude; you're simply trying to prevent misunderstandings that could backfire later.

Don't let yourself be pressured into making a financial decision you're not comfortable with or don't understand. This is your money, and you have the right to take whatever time you need. However, give yourself a deadline for your decision so you don't get caught in "analysis paralysis."

If you think your financial life simply needs a checkup rather than a complete overhaul, you'll need to clarify the areas in which you're looking for assistance. That can help you decide what type of advice you're looking for from your financial professional, although you should also pay attention to any additional suggestions raised during your discussions. Your plans should take into consideration your financial goals, your time horizon for achieving each one, your current financial and emotional ability to tolerate risk, and any recent changes in your circumstances.

Don't assume you have to be wealthy to make use of a financial professional. While some do focus on clients with assets above a certain level, others do not.

Think about the scope of the services you'll need. Do you want comprehensive help in a variety of areas, or would you be better off assembling a team of specialists? Do you need an ongoing relationship, or can your needs be taken care of on a one-time basis? If you're a relative novice

or having to deal with decisions you've never had to make before, someone with broad-based expertise might be a good place to start.

Even if you feel you need detailed advice from several different specialists – for example, if you own your own business – consider whether you might benefit from consulting someone who can coordinate among them. A financial professional can sometimes be a gateway to other professionals who can help with specific aspects of your finances, such as accounting, tax and estate planning, insurance, and investments.

If you want comprehensive management, you may be able to give a financial professional the independent authority to make trading decisions for your portfolio without checking with you first. In that case, you'll likely be asked to help develop and sign an investment policy statement that spells out the specifics of the firm's decision-making authority and the guidelines to be followed when making those decisions.

If you feel that consulting an expert might be helpful, don't postpone making that call. The sooner you get your questions answered, the sooner you'll be able to pay more attention to the things like family, friends, career, and hobbies that an organized financial life could help you enjoy.

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