


 LESSON 15:
Hiring financial help
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— ADVERTISEMENT —

What should it cost?

Sorting out the bills

The first priority when it comes to getting financial help: You should feel comfortable with your financial planner, and confident that he or she understands your needs.

A close second: You're comfortable with the cost of the help.

Generally, you face three basic billing structures:

Fee-Only Planners are paid only for the advice they give. They do not earn commissions by selling financial products such as life insurance or mutual funds.

Fee-Based Planners earn fees from advice and they make commissions on some of the products they sell.

Commission-Based Planners make money from the products they sell.

There are a couple of key advantages to going the fee-only route. First, you don't have to worry that your planner is making a recommendation to generate fees. Second, you get a better idea up front how much you'll be paying for advice. That's not to say, however, that there aren't differences in how fee-only planners bill clients.

Some fee-only planners charge a percentage of a client's assets, and individuals who hire them tend to spend the most of all -- typically about \$1,600 per year. Planners generally charge 1 to 2 percent of clients' assets.

There are potential perks and pitfalls to hiring someone whose paycheck depends on what you're worth. On one hand, they have great incentive for you to make a lot of money.

On the other hand, the setup gives them an incentive to urge you to invest rather than pay off a mortgage or other debt. These planners tend to pay attention to assets under their direct management rather than consider a client's entire financial situation.

"Money managers will almost universally not pay attention to your 401(k) at work," says Gary Schatsky, past chairman of National Association of Personal Financial Advisers, which represents fee-only planners.

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Some fee-only planners charge an annual retainer or a flat fee. Individuals who pay flat fees tend to have the lowest costs of all, spending an average of \$500 per year or so, according to Forrester Research. If you plan on seeing a planner often, an annual retainer may be less expensive in the long run.

Other fee-only planners charge hourly rates. These days, planners' hourly rates average \$120. Is that a lot? Depends on how much of your money the planner is overseeing. In any event, always get an estimate of the total hours you'll be billed before you hire a planner who bills by the hour, says Doug Nogami, assistant director of communications at the Certified Financial Planner Board of Standards.

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You can find fee-only planners through the National Association of Personal Financial Advisers. Search under the consumer link at the [NAPFA Web site](#) or call 800-366-2732. You also can check for Certified Financial Planners, some of whom are fee-based, at the Financial Planning Association's [Web site](#). ■



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† - Intraday data is at least 15-minutes delayed.

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