

## BUSINESS

# How to choose a financial planner: Reaching your financial goals

**It's not just about fees -- carefully consider who is qualified to advise you, and who you feel confident can handle your money.**

By [Larry Stevens](#), *AMNews* correspondent. Jan. 20, 2003.

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During the heady days of the dot-com bubble, Edward Pillar, DO, an emergency physician at Inland Valley Regional Medical Center in Wildomar, Calif., thought he could handle his own finances. But after losing some money when the bubble burst, Dr. Pillar figured it was time to stop going it alone. "I needed some help getting my finances in order," he said.

So Dr. Pillar went searching for a financial adviser. He wanted "someone who could understand the needs of a doctor." Who he found was Erik W. Thurnher, MD, a certified financial planner and emergency physician for Kaiser Permanente in Anaheim, Calif.

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Dr. Thurnher helped Dr. Pillar develop a budget, create a will and an estate plan, decide on the required amount of life and disability insurance, and map out a retirement plan. He even discovered through a call to Dr. Pillar's insurance agent that his disability package had expired

the previous year because of a mix-up when the insurance company was bought out.

While not every physician will be able to find a financial planner who is also a doctor, it's possible to find a planner who meets your needs, so long as you put a little effort into checking the background and personality of anyone you consider selecting to handle your money.

In general, financial planners or advisers (the terms are used interchangeably) help clients achieve their financial goals. They may help young physicians plan how to pay off student loans and save for children's college expenses while at the same time protecting the doctors and their families against unforeseen catastrophes such as death or disability. They may assist a midcareer doctor in determining how much he or she will require for retirement and what should be set aside to meet that goal. Or they may help a late-career physician determine the optimal

retirement time and how to dispose of his or her practice.

Financial planners also may be an attorney, a certified public accountant or an investment adviser. If not, they often work with those professionals for services such as drafting a will, valuing a client's business or making specific investment decisions.

**The terms "financial planners" and "financial advisers" are used interchangeably.**

The choice of a financial adviser is important, but it is also one "that is often made too casually," Dr. Thurnher said.

The problem, say many in the field, is that doctors, like sports figures and CEOs, are targets for planners prospecting for high-income clients. But unlike sports figures, physicians don't have agents or business managers to run interference for them. Nor do they usually have the business savvy -- or the business contacts -- that CEOs do.

### Searching the field

The first step to finding a financial planner is to seek referrals from colleagues and friends -- but not from just anyone.

Jack Valancy, a financial planner who's also an assistant clinical instructor at Case Western Reserve University School of Medicine in Cleveland, says seeking referrals haphazardly may simply cause a doctor to replicate the poor judgment of the person offering the referral.

Valancy suggests that physicians seek referrals only from other doctors who are in similar life situations, such as career stage or marital status, and who are knowledgeable about business matters. "You probably wouldn't act on a car recommendation from someone who was swayed by the last car ad he saw. You want someone who understands auto mechanics."

**Financial advisers charge fees for services or get a commission from selling products, such as life insurance or annuities.**

Another way to evaluate a financial planner is to see if the planner has received certifications such as certified financial planner (CFP), chartered financial consultant (ChFC) or personal financial specialist (PFS).

Some advisers recommend choosing a financial planner who is also a registered investment adviser (RIA). It's not a certification -- all anyone has to do is register with the Securities and Exchange Commission or a state securities regulator to get the title. But an RIA's registration is available to the public and includes a vast amount of useful information, including the number and type of clients, compensation arrangements and the amount of assets under management.

After the field of candidates is narrowed down to three or four, the next step is the interview. "Don't be afraid to ask even embarrassing questions," says Paul H.

Sutherland, author of *Physician's Financial Sourcebook: Investment, Risk Management & Retirement Tools for a Balanced Life* and a CFP based in Suttons Bay, Mich.

For example, you'd want to know about any past problems with drugs, alcohol or bankruptcies. While the presence of past problems shouldn't necessarily disqualify a candidate, it should be explained and discussed openly, Sutherland believes. Equally important, candidates should describe the average attributes of the doctors they serve. "You want to be a typical client," he advises.

Sutherland also suggests considering an adviser who has partners rather than one who works solo. Having a backup financial adviser on staff will improve the chances that you get an answer to a question even if your financial adviser is unavailable. It also may help provide some continuity should the primary adviser die or decide to leave the business.

## What to pay

Fees are another important consideration that should be discussed in the interview. Financial advisers are compensated in one of two ways: They charge a fee for their services, or they charge no fee but instead receive a commission from the sale of any product, such as life insurance or annuities. (Some planners are compensated by a combination of fee and commission basis.)

For fee-based advisers, charges can vary greatly based on the amount of work, the experience of the adviser and the geographic location. A simple financial plan for a young doctor may range around \$500 to \$1,000. But a complex plan for a physician who is considering selling a practice and who is also concerned about estate planning can go for \$2,000 to \$4,000. Add to these costs the fees of any services rendered by an attorney or CPA.

If the planner is also an investment adviser, he or she will charge an annual fee for investment services based on a percentage -- often about 1% to 2% -- of the total amount of money being managed. And many financial advisers work on annual retainers -- from about \$2,000 to \$5,000.

Many experts question whether anyone who is paid based on a commission can fully put personal financial interests behind those of the clients.

But Grady Cash, a CFP based in Nashville, Tenn., who gives presentations at medical conferences and has co-authored a continuing medical education program related to the subject, is a bit less dogmatic on the issue of fee-based versus commissioned advisers. Some commissioned-based planners can be very good, he believes.

But Cash issued a word of caution. "You have to consider that there is at least the potential for conflict of interest." At the very least, physicians should know the compensation structure for the products the planner sells. If all the planner's suggestions are for higher-commission products, "your antennae should go up," he says.

Despite the importance of objective criteria such as compensation method, doctors should not ignore their subjective feelings about the candidates. "Good chemistry is essential," Valancy says. He advises physicians not to be afraid to reject even very well-qualified candidates "who don't seem to understand you."

Grant Peck, MD, an emergency physician in San Demos, Calif., says his choice of financial planner Nancy Langdon Jones was based heavily on subjective feelings, and he doesn't regret it one bit.

He and his wife found Jones through a referral from acquaintances and spent time interviewing her. Dr. Peck says they wanted to make sure that Jones had other clients who were in his midcareer situation and that she understood his needs -- primarily to build a retirement fund. But when it came down to making the final decision, Dr. Peck says, "I asked my wife what her intuition told her." His wife said that she felt Jones was down to earth, said exactly what she would do without exaggeration, and was completely honest. "I trusted my wife's feelings. That was the clincher," Dr. Peck says.

In fact, Cash believes that finding someone with the right chemistry is important because of a new trend he sees in financial advisers' services: something he calls "life planning."

He says that while in the past, advisers focused on helping clients meet their financial goals, today many try to help shape those goals. "It's not just about money but the role money plays in your life."

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