

How to pick the right fee-for-service financial planner



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Financial planner Rona Birenbaum is so busy that she's been turning away an average of two clients a day over the past couple of weeks.

"We are slammed right now," said Ms. Birenbaum, whose Toronto-based firm is called Caring for Clients. "There are more people wanting our services than we have capacity. I have a waiting list of 20 fantastic people."

Welcome to the world of fee-for-service financial planning, where planners charge an hourly or flat rate for their services rather than getting paid through commissions and fees associated with the sale or management of investments. After long years of struggling to sell their business model to clients, fee-for-service planners are in demand.

"We don't have to educate people as much any more on what we do," said Shannon Lee Simmons, founder of the New School of Finance. "That's been a really cool thing for us. People come already looking for fee-for-service financial planners, and we're part of their shopping around process."

You'll need to invest to reach your financial goals, and fee-for-service planners often cannot help you with this beyond preliminary matters such as your ideal mix of stocks and bonds. The reason that fee-for-service planners are thriving is that they offer something essential in this age of anxiety about money – answers to questions such as "Am I on the right track?" and "Will I be okay if I buy a house?", "Can I retire early?" or "Can I help my adult children buy a house?"

To effectively shop around for a fee-for-service, you need to know what to ask. Here are some questions inspired by Ms. Simmons, Ms. Birenbaum and Morgan Ulmer, a Caring for Clients associate who works out of Calgary.

Are you really a fee-for-service planner?

If you do a Google search for fee-for-service planners, you'll get results that include fee-based planners and advisers. None of these terms has a precise, universally agreed-upon definition, but in general "fee-based" means charging clients a fee to manage their investment portfolio and possibly do financial planning as well. This fee is set as a percentage of account assets, usually something in the range of between 1 per cent to 1.5 per cent.

"Fee-for-service" means charging a fee in exchange for financial planning services. Ms. Simmons uses the term "advice-only financial planning" to describe what she does.

What are your credentials?

Quebec regulates who can use the term financial planner and Ontario has announced plans to do likewise. Otherwise, it's not strictly required that people who provide financial-planning services have any training or credentials. Your best defence against dealing with an amateur is to look for a planner with a recognized designation such as certified financial planner (CFP) or registered financial planner (RFP).

"I think designations are very important," Ms. Simmons said. "Because we're unregulated, you can get people who set up shop yesterday and are not designated with any sort of credentials."

Ms. Simmons, Ms. Birenbaum and Ms. Ulmer all have the CFP, which is an international designation that requires aspiring planners to take an educational program, pass exams and have three years of work experience.

How long have you been a planner?

The growth of fee-for-service planning means clients may be dealing with new planners who lack experience. This is where the designation is important – it ensures someone was properly trained.

Experience is especially important for more detailed planning, say for entrepreneurs. "The more complex the situation, the better off you are dealing with a planner who has been doing it for at least 10 years," Ms. Birenbaum said.

What are your fees?

Fee-for-service planning used to be dismissed as a fringe trend because it was widely thought that people would not pay hundreds or thousands of dollars for planning help. The rise of fee-for-service planning shows this is wrong, but costs are still an issue. "Consumers are often surprised by how much fee-for-service planning costs," Ms. Birenbaum said. "I think they're surprised only because they don't know how much work it is."

Caring for Clients publishes its fees online, along with a list of services you get for that price. You can get hourly consulting at \$300 an hour, investment planning for \$1,500,

retirement planning for \$2,500 and a comprehensive personal plan for individuals or couples for \$4,500. Ms. Birenbaum said she's fine with a client buying an hour of her time to bombard her with questions.

Expect to see fees vary widely between planners. Ms. Simmons's New School of Finance uses a modular approach where clients can buy as much planning as they want. The firm's online guide to services and costs shows an individual financial session costs from \$275 to \$375, while retirement planning for couples starts at \$750. A portfolio analysis, basically an unbiased second opinion, starts at \$390.

You shouldn't have to ask a fee-for-service planner about his or her fees – they should be posted on the firm's website. "If people were to call in because you didn't have pricing on your website, it's going to be one of the very first questions they ask, anyway," Ms. Ulmer said.

What services do you provide?

Planning, sure. But what about the investments that drive financial plans?

Classic fee-for-service planning considers your investments in terms of how well they're helping you meet your financial goal. These planners may comment on your mix of stock and bonds and the level of fees you're paying, but they will not discuss specific securities because they are not licensed to do so.

There are exceptions, including Ms. Birenbaum. Her group can provide investment advice, although it reviews other options such as do-it-yourself investing and robo-advisers with clients.

Fee-for-service planners may also refer clients to investment firms. If that's the case, ask whether the planner receives a referral fee. "I don't think most of the good ones do that, frankly," Ms. Birenbaum said.

What if I live in a rural or remote location?

It's not unusual for fee-for-service planners to work with clients in remote locations via phone or Skype. You may not need to drive to a planner's office for a face-to-face session.

What do I get?

Ask whether you'll get a full report with charts and graphs, brief notes or just some thoughts delivered face to face. The main value in financial planning is the encouragement, coaching and tools that help you actually follow through on what your plan tells you to do.

Ms. Birenbaum said her firm's financial plans show clients how to track their progress themselves, with savings and withdrawal targets and annual estimates of their assets

and liabilities. “At the beginning of every year, they can sit down and compare where they stand and what they did with where the plan says they should be.”

Ms. Simmons offers a customized implementation plan that almost acts as a to-do list with step-by-step instructions.

Question to ask yourself after talking to a financial planner: Can I work with this person?

“It requires a lot of trust to work with a financial planner,” Ms. Ulmer said. “You’re providing a lot of financial details, but even more than that you’re exposing your hopes and goals and what you want to accomplish in life.”

Ms. Ulmer said demand for fee-for-service planners in Calgary is not as strong as it is in Toronto, although I’ve had recent inquiries about this type of planning from readers in Langley, B.C., and Saskatoon. Word is spreading that you can get financial help without a sales pitch from someone who wants to sell you investments or manage your portfolio.

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A fee-for-service financial planning toolkit

The fee-only planners and coaches directory

Maintained by investing blogger John Robertson (The Value of Simple is his blog), this spreadsheet lists planners across the country. Check the fee description to see whether they work on a fee-for-service basis.

bit.ly/2nPMedH

The FP Canada "find a planner" search engine

Double-check that someone is a certified financial planner (CFP).

fpcanada.ca/findaplanner

Sample financial plan

There is no definitive written plan, but financial software provider Ativa Interactive Corp. offers an example of the sort of document you might get after a comprehensive review of your finances.

ativa.com/sample-plans/SamplePlan1.pdf

Google

Search for “fee-only financial planners” and your city name. Note: Search results will likely include fee-only investment advisers who charge a percentage of your investment assets as a fee each year and primarily look after your investments. You’ll have to sift to find fee-for-service planners.