# How to find - and screen - a financial adviser

*by Lynn O'Shaughnessy*

Last week, I heard from a Navy retiree who wondered what he should do with the money he built up in his Thrift Savings Plan, the federal government retirement plan that looks a lot like a 401(k).

My recent columns on finding a financial planner were fortuitous because he has been grappling with the daunting decisions that face most people when they retire. He and his wife are eager to find a trusted adviser who can answer questions like this one: Should they keep the money tucked inside his TSP, where it's invested conservatively, or move it to an Individual Retirement Account?

In his quest for answers, the couple consulted with a financial professional who is affiliated with their local credit union. To his credit, the retiree grilled the guy on whether he was a fiduciary. The adviser assured him that he was indeed a fiduciary. Our Mr. Fiduciary, however, urged the retiree to dump his TSP, which is a fabulous plan that contains super inexpensive index funds, and move the cash into a horribly expensive variable annuity inside an IRA. It would be tough to imagine more asinine advice.

The retiree's experience illustrates what even the most earnest investors are up against when they hunt for an adviser. The naval civil servant has been an Eagle Scout of an investor. He wisely maxed out his retirement plan since day one, but now faced with one of the biggest financial decisions of his life, he wasn't sure whether he should seal the deal with this annuity peddler, who obviously had gotten the memo: If someone asks, by golly, you're a fiduciary.

How do you know if your adviser or a prospective candidate is really working in your best interest? One way to find out is to use a detailed questionnaire when talking with these guys. And don't worry, I'm not suggesting that you dream up your own questions.

You can find an excellent questionnaire, "The NAPFA Comprehensive Financial Planning Diagnostic," by visiting the Web site of the National Association of Personal Financial Advisors ( www.napfa.org). At the same time, you'll need to print out the companion document, "The NAPFA Comprehensive Financial Planning Checklist." Prospective advisers often will provide a complimentary session where you get a feel for whether you'd be comfortable with the person sitting behind the desk. Take advantage of this opportunity and don't forget to take the questionnaire.

Another way is to hunt for a fee-only adviser. I'm certainly not suggesting that all fee-only planners are fantastic, but I believe you eliminate a lot of potential conflicts of interest if you stick with them. A splendid watering hole for these professionals is the National Association of Personal Financial Advisors. All its members sign a fiduciary oath to their clients, and they are scrupulous about only charging fees.

A potential drawback about seeking advice through fee-only professionals, however, is they might not want your business. Many of these advisers prefer working with high-net-worth individuals if they charge a fee that's based on the value of the client's portfolio. If you don't have investable assets in the middle-to-high six figures or more, they might turn you away. If you keep hunting, however, you should be able to find someone regardless of your net worth. Some of these NAPFA members, who charge by the hour, are affiliated with Garrett Planning Network ( www.garrettplanningnetwork.com), which includes hourly planners across the country. Names are on Garrett's Web site.

Dimensional Fund Advisors, which is a highly respected mutual fund company in Santa Monica, Calif., provides another excellent way to locate fee-only advisers. If I ever decided to use an adviser, I'd limit my search to someone who invests with DFA funds, which are indexlike mutual funds. DFA funds are available only to individuals who invest through certain fee-only advisers. You can learn more about the academics behind DFA and request names of advisers, who rely upon these exclusive funds, by visiting the firm's Web site, www.dfaus.com.

The Financial Planning Association represents another source for advisers, but you need to be aware that plenty of the members charge commissions. If you visit the FPA's Web site ( www.fpanet.org), you can obtain a list of advisers in your area. When I typed in my ZIP code and specified that I wanted someone who does comprehensive financial planning, I found 78 advisers within a 20-mile radius. What's nice about the NAPFA and FPA sites is they provide background on each professional as well as e-mail and other contact information. To narrow your search, you can e-mail prospective advisers questions before you ever pick up the phone.

Another great source to find committed fiduciaries who don't just talk the talk, is the Center for Fiduciary Studies ( www.fi360.com/cfstudies), an organization founded by Don Trone, who is probably the planet's most knowledgeable and passionate fiduciary advocate.

Investment advisers and other professionals who take classes through the center receive one of two designations, the Accredited Investment Fiduciary or the Accredited Investment Fiduciary Analyst. The AIF program was developed to help investment advisers incorporate fiduciary practices in their own firms; the more involved AIFA designation typically interests those who want to evaluate other professionals' practices. On the center's home page, you'll find an icon that says "Search for an AIF/AIFA Professional." To find prospects, type in your state or city.

If you aren't interested in hiring an individual investment adviser, there's another way to proceed. Some discount brokerage firms and mutual fund companies, such as the Vanguard Group and T. Rowe Price, provide guidance via the phone and the Internet for a modest fee. And in many cases, the advice will be free if you move assets to the firm. T. Rowe Price, for instance, charges just $250 to develop a game plan for a retiree or someone on the verge of that milestone.

One more piece of advice: Don't limit your search to someone who lives nearby. I often get e-mail from people who want to know of a great adviser in their neighborhood. The perfect match, however, may be 25 or 30 miles away. If so, it would be worth the drive.

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