And why they make sense for you

BY WARREN BOROSON
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Someone once asked Marylou Reeves, a Certified Financial Planner who is president of Thomas Mack Associates in Rockaway, what sort of financial planner to avoid.

Her answer: Any financial planner who uses the word "annuity." (She had in mind "variable" annuities, which are expensive – and lousy as a way of avoiding taxes. "Income" or "immediate" annuities may be okay.)

As for what sort of financial planners to actually hire, my own answer is: fee-only planners. Planners who won't put you into expensive junk – first Investors funds, for instance, or whole-life insurance – just to be rewarded with big commissions. In short, planners more likely to put your interests above their own interests.

To find a fee-only planner, as opposed to a fee-and-commission planner or a strictly commission planner, check out members of the National Association of Personal Financial Advisors (NAPFA).

Click here for a list of NAPFA fee-only planners in New Jersey .

Of course, there are splendid fee-and-commission planners, too, along with some miserable fee-only planners. But fee-only planners have a running head-start. And as Damon Runyon sagely observed, the race may not always be to the swift, the battle not always to the strong. "But that's the way to bet."

Besides, only maybe 20 percent of all fee-only planners belong to NAPFA.

Still, NAPFA members are the elite. They must submit an acceptable comprehensive financial plan before being accepted, and once they are members, they face stiff continuing-education requirements. Right now, lawyers, CPAs, and other financial professionals can become members; beginning next year, all members must be Certified Financial Planners.

Planners who work by the hour may charge $90 to more than $300, with a minimum number of hours required.

This is an especially good time – with high unemployment, a feeble economy, a worrisome stock market – to hire a financial planner, says Diahann W. Lassus, CFP, MBA, CPA. She's the chairman of NAPFA, and she has offices in New Providence and in Bonita Springs, Fla.

"If people ever need good, objective advice, now is the time," she says. "They can't afford to continue making mistakes. They have to pay attention to cash flow, managing expenses, paying down debt, and avoiding traps like interest-only mortgages."

What should someone look for in a planner - besides membership in NAPFA? Lassus mentions "solid experience – with clients like you yourself." You don't want someone who works exclusively with wealthy physicians to advise you on your shrunken 401(k) plan.

You also want to feel comfortable with a planner, Lassus emphasizes. Speak to a few of them. Just because someone has a high IQ and knows all about the tax ramifications of accelerated depreciation deductions doesn't mean you two will hit it off. If you're comfortable with a planner, for example, you probably wouldn't have trouble confessing something really dumb that you've done.

When you interview a planner, Lassus suggests, check who does most of the talking. A good planner must ask a lot of questions to understand a client – so the client, not the planner, should do much of the talking.

When do people consult a planner? Often when there's a change in their lives, she goes on. Perhaps a bad change: loss of a job, high medical expenses, a divorce. Or good changes: getting a raise, getting an inheritance.

Lassus herself has been in the financial planning field for 25 years – all of them as a fee-only planner.

Boroson on Money appears every Monday at Newjerseynewsroom.com.

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