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7 Questions You Must Ask Before Choosing A Financial Planner



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1. What are your qualifications?

Financial planning is a detailed, comprehensive process. It requires hands-on experience and a strong technical understanding of topics such as personal tax planning, insurance, investments, retirement planning and estate planning - and how a recommendation in one area can affect the others.

Ask the planner what their qualifications are to offer financial advice and if, in fact, they are a qualified planner. Anyone can call themselves a Financial Planner or Financial Advisor ask whether they hold any professional credentials or designations. Certified Financial Planner (CFP ®) which is recognized internationally as the mark of the competent, ethical, professional financial planner, is held by almost 17,500 people across Canada.

2. What experience do you have?

Experience is an important consideration in choosing any professional.

Ask how long the planner has been in practice, the number and types of firms with which they have an association with. Ensure your planner is free to do business with a wide range of suppliers thus able to make recommendations of what is best for your situation and goals not just what he has available on his product shelf of by the company he represents. Inquire about what experience the planner has in dealing with people in similar situations to yours and whether they have any specialized training.

3. What services do you offer and what is your approach to Financial Planning?

The services a financial planner offers will vary and depend on her credentials, registration, areas of expertise and the organization for which she works. Those who sell financial products such as insurance, stocks, bonds and mutual funds, or who give investment advice, must be registered with provincial regulatory authorities and may have specialized designations in these areas of expertise. The types of services a financial planner will provide vary from organization to organization. Some planners prefer to develop detailed financial plans encompassing all of a client's financial goals. Others choose to work in specific areas such as taxation, estate planning, insurance and investments. Ask whether the planner will help you implement the plan she develops or refer you to others who will do so.

4. Will you be the only person working with me?

It is quite common for a financial planner to work with others in his organization to develop and implement financial planning recommendations. Financial planners often work with other professionals, like lawyers and accountants. You may want to meet everyone who will be working with you.

5. How will I pay for your services?

Your planner should disclose in writing how she will be paid for the services she will provide. Planners can be paid in several ways:

Commission: The planner is compensated if you purchase financial products to implement a financial planning recommendation. In some cases, the commission is paid by the suppliers of financial products such as an insurance company. In other cases, you pay the commission, for example, if you buy shares of a publicly traded company. Commissions are usually a percentage of the amount you

invest in a product.

Salary: The company for which the planner works pays the planner a salary. The planner's employer may get its revenues from fees paid by clients such as yourself or in commissions paid by clients making a purchase, or by the suppliers of financial products.

Fee-for-service: Planners paid on a fee-for-service basis may charge an hourly rate, set a flat rate for a specific service or be paid a fee based on a percentage of assets or income. In some cases, compensation would be a mix of fee and commission. You should also ask if the planner or organization receives any benefit other than commission, such as advertising and promotion subsidies, from suppliers of financial products.

6. Are you regulated by any organization?

Financial planners who sell financial products such as securities and insurance or who provide investment advice are regulated by provincial regulatory authorities and may also subscribe to a code of ethics through a professional association. Individuals in the accounting and legal professions are usually members of professional bodies that govern their fields. Planners who hold CFP® certification are subject to disciplinary proceedings of Financial Planners Standards Council, the body that enforces that CFP Code of Ethics.

It's a fair question to ask if he has ever been the subject of disciplinary action by any regulatory body or industry association. You can verify the answer by contacting the relevant organization; some organizations have a searchable function on their websites.

Ask the financial planner whether he subscribes to a professional code of ethics such as the Certified Financial Planner Code of Ethics or Advocis.

7. Summary

Make sure they are a Certified Financial planner

A CFP must adhere to the CFP code of ethics or risk losing his designation. The Principles are statements expressing in general terms, the ethical and professional ideals of CFP professionals.

Principle 1: Act with Integrity

Principle 2: Act in clients best interests

Principle 3: Act Competently

Principle 4: Fairness

Principle 5: Confidentiality

Principle 6: Professionalism

Principle 7: Diligence

Remember - This is your money and it's important to your financial security and future. Your planner should always be acting in your best interest and listening to what it is that you want. You should be comfortable with all his decisions.