

# Equal Opportunity Planners

WORRIED FINANCIAL PLANNERS WILL LAUGH YOU OUT OF THEIR OFFICES WHEN THEY GET A LOOK AT YOUR NET WORTH? DON'T BE.  
BY KRIS FRIESWICK

**K**atherine and Kevin MacDonnell had two good incomes and plans to buy a house when Katherine got pregnant with their first child, Kate. Like many families, they decided that Katherine would stay home to raise the baby. This not only meant loss of half the family income, which threw a wrench into their house plans, but it also meant an uptick in expenses. Their credit card balances immediately shot up. They used savings to pay them down, but by then, four years had passed, and they were still renting an apartment in Madison, New Jersey. They were no closer to buying a home than they'd been when Kate was born.

Stymied about what to do next, the couple decided it was time to talk to a financial planner. They were concerned, however, that without a high six-figure income, and lacking significant assets, no planners would agree to take them on.

"The surrounding towns near us are pretty affluent," says Katherine. "We were afraid we'd get thrown out the door because we didn't have enough money."

The MacDonnells' concerns are shared by many Americans who need financial planning help, but who believe that financial planners won't go near them if they're not already wealthy. For families that just barely sustain their lifestyle, the idea of a

financial planner may even seem laughable. Many middle-income people either do no planning at all, or try to do it themselves. The results of such efforts can range from disappointing to disastrous.

Fortunately for the MacDonnells and families like them, financial planners are beginning to realize that middle-income people are a profitable and plentiful client base. Plus, say planners who have broadened their practice to include moderate-income families, working with these clients comes with an important perk: a sense of satisfaction.

"When I worked with wealthy clients, I felt like I was an employee," says Sheryl Garrett, a certified financial planner (CFP) in Shawnee Mission, Kansas. When working with middle-income clients, however, "I feel like a trusted advisor," she says. Seven years ago, Garrett dropped the wealthy clients and focused on providing fee-only, as-needed financial advice to anyone who wanted it. The idea took off, and five years ago, she founded the Garrett Planning Network, a group of 250 CFPs and financial associates worldwide who specialize in fee-only services for all comers.



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The desire to make a difference is leading a lot of financial planners to work with a broader group of clients. "It would be great if everyone had a million dollars of investable assets," says Ellen M. Kenney, a CFP with American Express Financial Advisors in Arlington, Massachusetts. "But the really challenging work is with people who have fewer assets, and you could make a strong case that they need the help more."

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#### FINANCIAL SINS OF THE MIDDLE CLASS

CFPs say that moderate-income families seem to have the same basic challenges when it comes to managing money—mounds of credit card debt, poor expense control, lack of a savings plan, failure to contribute to retirement plans and over-optimism about imagined future financial windfalls (like a raise, inheritance or blockbuster stock returns). Although most people, regardless of income bracket, probably fall prey to these deadly financial sins, they are even more damaging for families that have less room for mistakes.

Getting a handle on credit card debt is the biggest challenge, especially for younger couples who may be striving to achieve a standard of living they can't afford, says John Bodnar, founder of Bodnar Financial Advisors Inc. in Florham Park, New Jersey. He sees plenty of overextended couples in the financial class he teaches at a Pre-Cana marriage course at his local church.

"The most difficult and detrimental aspect of a young person's life is the daily

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battle against our consumer culture," says Bodnar. "I tell them, it's hand-to-hand combat every day."

Financial planners may help families determine priorities and act as an impartial third party for what can be a difficult conversation, especially if one partner's attitude about money differs greatly from the other's. Most CFPs will start out by carefully analyzing a couple's expenses and income,

mountains of credit card debt, Bohannon required him to outline exactly what the loan would be used for, had him sign a loan document, charged him interest and took a lien on his house to ensure he paid his mother back.

"My sons didn't really appreciate that," says Shoulders. "But I told them it had to be that way."

Today, Shoulders is confident in her retirement plans, and she and her children have learned some financial responsibility. The kids don't borrow money much anymore, and, says Shoulders, "one of my sons recently told me that when he finally has some extra money, he's going to ask David to take him on as a client."

CFPs can also introduce new planning

## FINDING FINANCIAL AID

Want to find a financial planner? These organizations can help.

**Certified Financial Planner Board of Standards**—[www.cfp.net](http://www.cfp.net)

**Financial Planning Association**—[www.fpanet.org](http://www.fpanet.org)

**National Endowment for Financial Education**—[www.nefe.org](http://www.nefe.org)

ensuring that their 401(k) fund selections don't overlap each other, determining what type, if any, insurance needs the family may have and crafting a budget based on stated goals, including ways to cut expenses.

"It's one of the biggest secrets to accumulating funds," says David Bohannon, a CFP in Louisville, Kentucky, and founder of Consultant's Corner, a financial consulting firm. "Keep expenses low, don't make mistakes and do some budgeting. Once you do it, it's not so hard."


But avoiding those "mistakes" is harder for some than others. Bohannon has a client, Rita Shoulders, who found herself widowed at 57. Although her husband left her with a stock portfolio worth about \$200,000 when he died, she had no idea how to manage it. She had a job paying about \$40,000 a year, but she was also the primary caregiver to her disabled sister. More troubling, she had four grown sons who thought their mom was a bank. She was generous to the point where her own retirement was in jeopardy.

Bohannon allocated her assets, performs an annual review and has helped with the family financial issues. When one son requested a consolidation loan to deal with

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concepts that families may not have been aware of previously, or dispel financial myths keeping them from reaching goals.

"We had this misconception that we needed \$200,000 in cash before we could even consider buying a house," says Katherine MacDonnell, who found Bodnar listed on a website for the Certified Financial Planning Board of Standards ([www.cfp.net](http://www.cfp.net)), a nonprofit regulatory organization for CFPs. "John made it clear that it was possible, and he showed us what we could make happen," she says. With Bodnar's guidance, the MacDonnells recently bought their own home.

**FINDING THE RIGHT PLANNER**  
The best way to find a reputable finan-

cial planner who will consult with middle-income families is through word of mouth. There are also many professional organizations for planners (see sidebar) that maintain Web-based searchable lists of members. Once you've developed a list of planners near you, the only way to determine whether they will take you on as a client is to call. Don't be shy—give them an

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honest overview of your financial situation and how much you are able to pay for their services. Most will offer an initial consultation for free, which is also a good way to determine if the chemistry is right—an overlooked, but crucial component to any good advisor/client relationship.

Once you've set up a consultation with a CFP, ask about his accreditation. He should have a CFP or something similar (see sidebar). If he will be offering investment advice, he must be a Registered Investment Advisor with the U.S. Securities and Exchange Commission and be able to produce a Form ADV demonstrating this fact. If he will be trading stocks on your behalf, he must have a Series 7 license, issued by the National Association of Securities Dealers. There are also a variety of specialty accreditations

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that you may want your planner to have, depending on what additional services you need (like estate planning and insurance consultation).

Second, ask how and how much they get paid. Many CFPs offer hourly, fee-only advice and analysis of your financial condition. Hourly fees range from \$95 to \$250, and some will work for free if you can't afford to

#### ACCREDITATION GLOSSARY

Here are some accreditations to look for when choosing a planner.

**Certified Financial Planner (CFP)**

**Registered Investment Advisor (RIA)**


**Certified Financial Analyst (CFA)**

**Certified Investment Management Analyst (CIMA)**

**Certified Public Accountant (CPA)**

See [www.cfp.net/learn](http://www.cfp.net/learn) for a complete list of accreditations.

pay. (Visit the Project for Financial Independence at [www.consultaplanner.org](http://www.consultaplanner.org) for more information on finding a pro bono financial planner.) If you ask a planner to manage assets (like a mutual fund), most likely he will charge you a percentage of assets under management, usually between 1 and 2 percent. This fee comes out of investment gains, so although you don't write a check for these services, the fee will eat into your portfolio's overall performance. Some CFPs make a commission off of any financial products they sell, such as insurance. Some, like Bodnar and Kenney, work on a mix of fees and asset-based fees, depending on the type of work the client desires.

Starting with a financial advisor while you're still on the lower rungs of the financial ladder also means that as your net worth increases, you will already have someone who knows you and your family and helps you make the complex investment and portfolio decisions that wealth brings. And, he or she might even help you achieve that wealth sooner. 

KRIS FRIESWICK IS A BOSTON-BASED FREELANCE WRITER WHOSE WORK HAS APPEARED IN CFP MAGAZINE.

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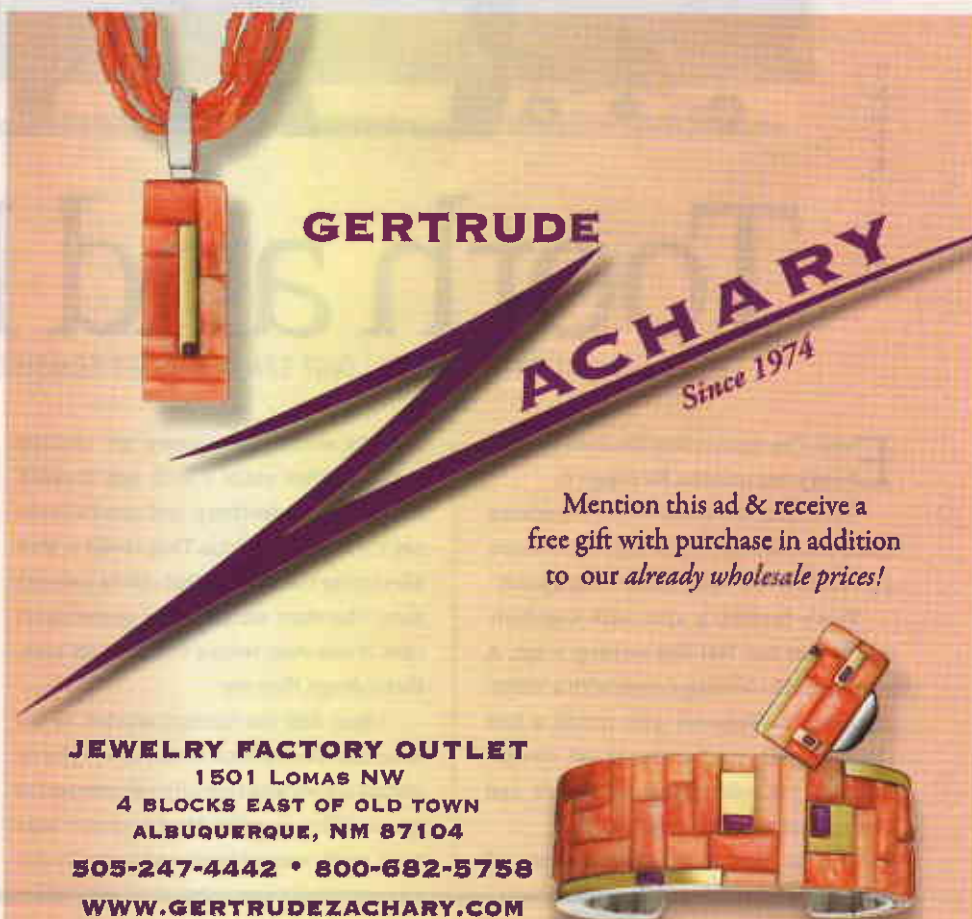
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