



## FEATURE ARTICLE FROM ALWAYS BEST CARE

### Financial Advisors: Who Can You Trust?

A recent [Investor Trust Study](#) showed that only 52 percent of investors trust the financial services industry. Who can blame them? With all the scandals and media attention on those who manipulate the financial system and the financial setbacks experienced by many investors, a loss of trust seems like a natural response. Complicating matters is that new financial titles for advisors seem to be cropping up regularly. How can you be sure your financial advisor is the right person to be giving you advice? How is a CFP different from a CMFC? Exactly what is a ChFC?

For seniors, the potential for getting unsound or misleading advice and making a bad decision is made worse because many older adults need their investments for retirement, and it's harder to recover from financial setbacks at an older age.

#### **Making Sense of Financial Titles**

The financial services industry started out with simple designations such as Certified Public Accountant (CPA) and Certified Financial Planner (CFP). But as the world of finance became more complicated, so did titles and designations. The Securities and Exchange Commission (SEC) weighed in on this topic with a bulletin, "Making Sense of Financial Professional Titles": "The requirements for obtaining and using these titles vary widely, from rigorous to nothing at all. Do not rely solely on a title to determine whether a financial professional has the expertise that you need—find out what the title means and what the financial professional did to obtain it."

Some titles are granted by private organizations, such as a trade group. While some of these groups have processes for receiving consumer complaints and disciplining members for misconduct, others do not, the SEC warns. Still other titles may be simply purchased or even made up by financial professionals hoping to imply that they have certain expertise or qualifications. As with any title, you should verify a financial professional is really qualified to advise you. See sidebar, "Where to Find Help." Your Certified Senior Advisor® can also help you. (For more information about CSAs, see end of article.)

To use certain titles, a financial professional may need to pass exams, meet ethical standards, have relevant work experience and undertake continuing education. Other titles, however, may be obtained with little time, effort and experience, explains the SEC.

Titles and licenses are not the same. Just because someone claims to be a certified mutual fund investment counselor doesn't necessarily mean that they passed an exam or received a license from a governing body. Financial professionals that are registered as a broker-dealer or investment advisor have obtained registrations and licenses granted by federal or state regulatory authorities.

If you're unfamiliar with your financial advisor's credentials, you may be getting someone who is qualified to do more than you require. Or, you may hire someone with a narrow band of knowledge when what you need is help with various issues—investments, estate planning and taxes, for example. Find help for understanding financial designations and check out your broker on two official websites (see sidebar).

## Sorting Through Different Titles

The leading school of thought is that the safest advice is from an advisor who is a fiduciary—someone legally required to place your interests first. Only registered investment advisors are held to this standard, and that typically includes financial planners who charge a fee. Brokers and advisors who work for commissions must generally assure only that an investment is suitable (“Can you trust your financial adviser?” [Money, CNN](#)).

[The Financial Industry Regulatory Authority](#) lists hundreds of possible designations, while [Investopedia](#) provides the more traditional titles that financial professionals have used for decades.

- **Certified Financial Planner (CFP):** This is the most widely recognized credential in the financial planning industry, perceived as providing an unbiased approach to financial planning. Its certification requirements are rigorous, necessitating five courses covering insurance, estate, retirement, education, taxes, investment planning, ethics and the financial planning process. Candidates must pass a board exam, have at least three years of professional experience and hold a bachelor's degree.
- **Certified Public Accountant (CPA):** This is the oldest and most established financial credential widely recognized as the definitive credential of tax expertise. To sit for the two-day exam, candidates must take 150 semester hours of undergraduate-level courses and hold a bachelor's degree or higher.
- **Chartered Life Underwriter (CLU) and Chartered Financial Consultant (ChFC):** The life insurance industry originally created these designations. The two designations have the same requirements, except the ChFC tends to embrace general financial planning issues as opposed to the CLU, which focuses more closely on life insurance and its laws and regulations.
- **Chartered Financial Analyst (CFA):** This is considered to be one of the most difficult and prestigious credentials in the financial industry, at least in terms of investment management. The academic requirements for this designation are second only to those for CPAs. Many portfolio managers or analysts have this designation. Newer titles, which often have less rigorous academic requirements, include the Accredited Asset Management Specialist (AAMS) and Chartered Mutual Fund Counselor (CMFC). One exception is the Licensed International Financial Analyst (LIFA), which covers much of the same material as the CFA curriculum in its coursework but is considerably more flexible in terms of administration. Notable financial certifications to look for include CFP, Certified Fund Specialist (CFS) and Chartered Investment Councilor (CIC).

Some certifications focus on a particular group, such as the Society of Certified Senior Advisors, which is designed to help professionals already working with older adults enhance their knowledge of the aging process. There is an expectation that those who obtain the CSA certification already have the appropriate education, training, licenses and certifications to practice in their professions.

## Questions to Ask

Experts offer a list of precautions to ensure that your financial advisor offers the services you want and has the appropriate background for what you need.

**Financial designation:** If a financial professional tells you that he or she has a certain professional title, find out who awarded the title. Ask about training, ethical and other requirements. Determine whether or not a course was required and if the person passed a test. Did the designation necessitate a certain level of work experience or education? Are refresher courses required to maintain the designation? How can you verify the advisor's standing with the professional organization?

**Payment:** Make sure you understand how the advisor is being compensated for investment advice or transactions, whether commissions or a fee, as well as the underlying costs of the investments. Do not be afraid to ask the investment advisor the amount of his fees.

**Investment options:** Find out if the advisor can suggest investments or if he must choose from a certain portfolio of funds. If the advisor is recommending one investment, an insurance product, for example, you may be getting a sales pitch, not advice. If the advisor keeps trying to sell you a financial service that generates a commission regardless of how well it suits you, she is probably not looking out for your long-term interests.

**Level of service:** Make sure your advisor gives you information on a regular basis, not just when he wants to sell something, and alerts you if new developments are going to affect your investments. At the same time, your advisor should be willing to take the time to explain any new investments or how the economy is affecting your portfolio. If she is unwilling or unable to explain, that should be a warning sign.

## Where to Find Help

[The Financial Industry Regulatory Authority \(FINRA\)](#) is an independent, not-for-profit organization authorized by Congress to protect America's investors by making sure the securities industry operates fairly and honestly. Its website provides an exhaustive list of acronyms for financial advisors, using its "Understanding Professional Designations" to decode the letters and outline whether the issuing organization requires continuing education, takes complaints or has a way for you to confirm who holds the credential. Its [BrokerCheck website](#) allows investors to research the professional backgrounds of current and former FINRA-registered brokerage firms and brokers, as well as investment advisor firms and representatives. It also offers links to [state regulators](#). The Securities and Exchange Commission lets you check to see if your financial advisor has received any complaints. See "[Check Out a Broker or Advisor](#)".

## Sources

"Can you trust your financial adviser?" [Money, CNN](#)

"Confusing World of Financial Designations," [Ryan Wilson, Certified Senior Advisors](#)

"Designations: What They Are and What They Mean," CSA Journal 55

"Do You Trust Your Financial Advisor?" [Huffington Post](#)

"A Guide To Financial Designations," [Investopedia](#)

"Investor trust fragile, aligned interests valued highly," [CFA Institute & Edelman Investor Trust Study](#)

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The Certified Senior Advisor (CSA) program provides the advanced knowledge and practical tools to serve seniors at the highest level possible while providing recipients a powerful credential that increases their competitive advantage over other professionals. The CSA works closely with [Always Best Care Senior Services](#) to help ABC business owners understand how to build effective relationships with seniors based on a broad-based knowledge of the health, social and financial issues that are important to seniors, and the dynamics of how these factors work together in seniors' lives. To be a Certified Senior Advisor (CSA) means one willingly accepts and vigilantly upholds the standards in the CSA Code of Professional Responsibility. These standards define the behavior that we owe to seniors, to ourselves, and to our fellow CSAs. The reputation built over the years by the hard work and high standards of CSAs flows to everyone who adds the designation to their name. For more information, visit [www.society-csa.com](http://www.society-csa.com).



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