

Choosing a Financial Planner

By Peggy Creveling and Chad Creveling



"Well, to be quite honest, after thirty years of paying in to your scheme, I expected a little more than three peanuts and a sticky toffee with fluff on it."

The phone rings. Your secretary forwards a call from someone who says he's returning your call. Once connected, you realize you've never talked to the person, and you wonder how he got your name and number. Attempting to arrange a free consultation, the mystery caller claims he can help you improve your financial situation.

Fact is, you want answers to questions like: When will I have enough to retire? How much insurance do I really need? What currencies should I hold? How and where should I invest? Should I purchase property? What tax shelters are appropriate for me? You'd like to speak to a professional; yet based on stories you've heard, you're not sure you trust the caller.

Unfortunately, many untrained and unqualified people have entered the financial advisory field. Following are characteristics of trustworthy and untrustworthy financial planners:

- 1) Relevant Experience—Find out the planners' past work experience. You want to know if your potential counselor has just set up shop after leaving an unrelated field. Does the advisor have experience working with clients in situations like yours? Or does the advisor offer a "one-size fits all" solution?
- 2) Professional Qualifications—Don't be overly impressed by all qualifications your planner lists on his business card. People calling themselves financial advisors can list an alphabet soup of "qualifications." Some misuse titles or registration abbreviations by citing them as qualifications.

A qualification involving a 1-hour multiple-choice exam is not comparable to a qualification that requires years of study and experience, as well as several stringent examinations. Contact the granting organization to make sure your planner has the qualification in question and that his status is current. It's not a good sign if you cannot locate the granting organization, or if the granting organization has never heard of your "advisor."

- 3) Licensing or Registration—A regulating entity (as opposed to a trade organization) has legal authority to oversee firms within its jurisdiction. Regulators protect consumers by establishing rules guarding individuals' privacy, by requiring openness, and by providing a channel for consumer complaints.

Contact those groups and regulator(s) the planner lists. At a minimum, firms and individuals giving investment advice in Thailand must be registered with Thailand's Securities and Exchange Commission, and the firm must hold a license from the Ministry of Finance. With the US SEC as an exception, most outside regulators (including the UK's FSA) do not regulate firms or individuals giving advice outside their borders.

If you are misled, receive inappropriate advice, or are overcharged by individuals or firms in Thailand, a regulator in the Isle of Man or the broader UK will not help you. Be sure that it is the Thai-based advisor who is regulated, as opposed to an outside company within the same group, or a third party supplier of financial products.

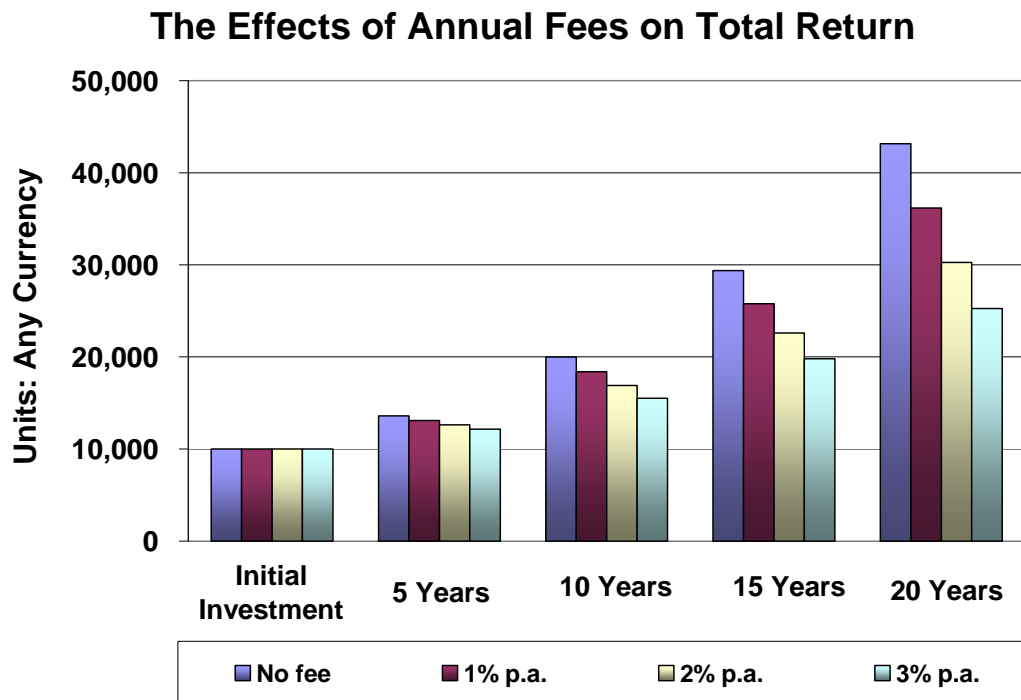
If you believe you have a legitimate complaint regarding advice you have received from a firm in Thailand, you can call Thailand's SEC help center at 0-2263-6000, or submit the complaint to the SEC using the Complaint section of their website. http://www.sec.or.th/en/complaint/concomp_e.shtml

- 4) Services offered—Check to see which services the financial planner really provides. Ask to see examples of the type of advice you'd like. In some cases,

long lists of advertised services are met with the sale of a few financial products. This may not be appropriate to your situation.

- 5) Fees—Find out how an advisor is compensated. Does he or she receive commissions on products sold to clients? If so, the advisor gets paid when he sells you a product, typically investments or insurance. A product salesman may have different objectives from an advisor who only provides advice. If the planner won't provide you complete disclosure about his or her compensation, that's an answer in itself.
- 6) Hidden fees—While front-or back-end commissions are usually disclosed, additional fees and commissions often are not. In some cases, investments can have several layers of fees, with the basic management fee that is usually disclosed being only part of the total fees involved.

An investment's total annual expenses can have enormous impact on the returns you will receive. In some offshore cases where undisclosed annual expenses alone can range 3-4% per year any tax savings is negated, as the graphs below show:



With no annual fees, a \$10,000 investment with a compound return of 8% p.a. should grow to \$43,157 after 20 years. But if annual expenses are 3% p.a., a total of \$17,887 is lost in fees and opportunity costs, leaving the investor with just \$25,270.

- 7) Avoid surrender charges—There's rarely a benefit to having your money locked up for long periods and you may want to change investment vehicles. Even fixed-

term instruments are usually tradable. Be sure you will have control of your funds, and that you can easily access your money if needed.

- 8) Transparency—Get it in writing. Have the planner provide you with a written agreement that details the services to be provided. Require a firm fee quotation for the fees charged. Keep this document for future reference.
- 9) Professional Affiliations—Find out which professional organizations the financial planner belongs to. Financial issues in today's world can be complicated. This is especially true for expatriates. Professional planners typically affiliate with networks of specialists in a variety of jurisdictions that provide additional legal and tax information. Be wary of firms that say they have all the expertise in house, or that try to pass off sales or distribution offices as a professional network.

The true financial planning process helps you to assess your current situation, define where you want to be, and draw up a road map showing how to get there. Be careful. Take the right road.



Chad and Peggy Creveling are principals of Creveling & Creveling Financial Planning Ltd. The firm is a Registered Investment Adviser with the US SEC and holds an Investment Adviser license under the oversight of the Thai SEC. The firm's principals are Chartered Financial Analysts (CFA) who specialize in providing long-term financial planning and investment advice on a commission-free basis to expatriates and residents of Thailand. The firm's website is www.crevelingandcreveling.com. Initial consultations are free of charge, and we promise to only call if you ask us to.