

Letter perfect

Sorting through financial planning professionals isn't always as easy as ABC

Eileen Ambrose / Baltimore Sun

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So, you've resolved this year to put your finances in the hands of a professional. That's the easy part. Figuring out what kind of professional to hire is more difficult.

Lots of professionals are eager to help handle your money, and often have similar-sounding titles. For example, an investment adviser and financial adviser may seem the same, but their legal responsibilities to investors are quite different.

On top of that, a professional might hold one or more designations, indicating an expertise in a certain area of finance. Designations appear on business cards as initials, such as WMS, RPA, CFP, APP, CSS, CFA, AAMS, C3DWP or YU\$%! . OK, the last one was made up (C3DWP is real), but new designations are created all the time. Some require rigorous training and testing. Others entail much less effort.

Don't take any title or designation at face value. By asking a few questions and doing a little research, you can understand the choices and find the professional who best matches your need.

Start by figuring out what kind of services you want. If you're looking for assistance in estate planning, for example, you won't want a professional whose skill is picking stocks. Once you know the expertise you're looking for, here are other considerations:

Look beyond titles

Most investors know what a stockbroker is, but that title has been disappearing. As brokerages try to broaden their reach, more of them are shedding the title "broker" in favor of terms like "financial consultant" or "financial adviser."

Smith Barney is the latest to make a name change. Beginning this year, its financial consultants -- once called brokers -- are now called "financial advisers."

Not everyone likes it.

The National Association of Personal Financial Advisors -- composed of fee-only financial planners -- complained that Smith Barney could mislead consumers by purposefully blurring the distinction between brokers who are salespeople and independent advisers who give objective advice.

This is a small skirmish in a bigger battle over titles in the industry. It's not likely to end anytime soon, either. Meanwhile, investors can be confused.

"The titles they use mean absolutely nothing," said Barbara Roper, director of investor protection for the Consumer Federation of America. "We have a marketplace for financial advice in which professionals use virtually identical titles. ... You have to dig deeper."

Generally, if you hire someone for investment help, the professional will be licensed as either a broker or an investment adviser. Each has its own legal obligations.

Brokers must know their clients well enough to make suitable recommendations. Investment advisers have a fiduciary duty to act in their clients' best interest.

