

## MAKING CENTS FINANCIAL PLANNING MYTHS, TRUTHS

-John P. Napolitano, CFP®, CPA, PFS, MST, RLP®



**T**he financial planning industry is barely 40 years old. Before the term “financial planner” was coined in 1969, brokers, bankers, accountants, attorneys and insurance agents scattered the landscape of advice givers. Today, even though the Financial Planning Association has more than 25,000 members and there are more than 60,000 licensed financial planners in the U.S. alone, the industry is still somewhat splintered.

I’d like to debunk a few myths that are perpetuated by mainstream media and others who know little about this profession.

The first myth is compensation. In the last 10 years, there has been a movement by an organization promoting fee-only financial planning. What this means is that these advisers charge fees for plans and asset management, and do not accept commissions from any product or service provider. In theory, it sounds great, but you will not necessarily get better advice from a fee-only planner.

The next myth has to do with investments. Most people choose a financial planner to help them with investments, and have made hiring and firing decisions based upon performance. The myth is that financial planning is all about investments. Investments, while a core component of a financial planning relationship, are only one of as many as seven or eight moving parts in your financial

life. Do not let your financial planning relationship be only about investments.

Another myth is around “bigger is better.” Ironically, many of the “bigger” firms do not even allow their representatives to offer proactive and holistic financial planning. These shops are frequently about the investments or insurance and the products; with many giving lip service at best to the process of financial planning. The financial planning industry is still in its infancy when compared to accountancy or law, and many good practitioners reside inside small independent shops.

When considering an adviser, ask the adviser how much of his or her recommendations are based on products offered by their employer. I am not a fan of buying advice from a planner who works for a company that limits the adviser’s choices. Be especially careful here: Most advisers will tell you that they have this freedom, but the recommendations are often in favor of the home team.

Trust and communication are the driving factors in your level of planner satisfaction.

---

---

*The myth is that financial  
planning is all about  
investments.*

---

---

Come visit our blog: [www.MakingCentsBlog.com](http://www.MakingCentsBlog.com)