

# Shop carefully for a financial planner

If you are beginning to believe your personal financial affairs are out of control, and what you need is honest, expert advice in getting it all together, you are in good company.

Much of this country's affluent middle class is in exactly the same position: in over its head and looking for help — on taxes, investments, insurance, real estate, fringe benefits, retirement plans, wills and trusts.

One way to obtain help is to engage a personal financial planner. Some are individual practitioners, some are attached to banks, brokerage houses, insurance companies or accounting firms, and some serve only top executives or the very rich. Others offer more modest services.

No one can — or should — tell you which financial planner is right for you because that depends on several factors, including your needs, ability to pay, net worth, expertise and so on. Before you put yourself in the hands of one, you should be able to identify some qualities that can help in selecting a competent financial planner.

In my opinion, the financial planner should have at least a bachelor's degree and preferably a master's of business administration degree with concentration in finance. The planner should be a Certified Financial Planner (CFP) and an active member of the International Association for Financial Planning (IAFP).



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He or she should also have been admitted, or in the process of being admitted, to the Registry of Financial Planning.

There are no set criteria for determining the competence of a financial planner. The fact that a person has all the planning credentials does not guarantee that he is a competent financial planner.

One way to judge a planner is by the quality of the financial plan he or she draws up for you. A financial plan means different things to different people. To some, it is nothing more than a statement of net worth and a list of insurance and investments held by the client. To others, it contains an overwhelming amount of data and other information. What is important is not merely the volume but the amount of useful information presented in a comprehensible form.

More specifically, a comprehensive financial plan should cover at least the following seven areas, contained in the seven letters of the word "retired":

R — Risk management planning  
E — Educational planning  
T — Tax planning  
I — Investment planning  
R — Retirement planning  
E — Estate planning  
D — Desired financial independence planning

Regardless of the complexity of your financial situation, the financial planner must offer to provide the client with a written financial plan. It must provide answers to questions that are unique to a client's situation.

A financial plan should include the following:

- A simple description in words of the existing financial conditions as well as financial assets and products held by the client. This section will give the client an overview of his present financial situation.

- A list of key recommendations followed by explanations of why these recommendations were made. Recommendations should first be made in generic terms with no refer-

ence to specific products (investments, insurance, etc). The planner should then translate these generic recommendations into specific product suggestions.

All the basic observations and key recommendations must be fully supported by technical data. This data should be presented in either tabular or chart form so the client knows what to do, how to do it, and how his situation would improve after all recommendations have been implemented, and should be easily accessible.

Since many people by nature are procrastinators, the financial planner should develop an implementation time chart that specifies the approximate time frame for the completion of the implementation process.

If the planner handles products, he should be licensed to handle several kinds of investment and insurance products and should be able to represent all of them without prejudice.

Regarding compensation, there are basically three kinds of planners, namely, planners who:

- for a fee sell advice and information only;
- give or sell — for token amounts — advice in conjunction with sales of financial products, such as mutual funds, securities, real estate, insurance, investment contracts

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# Taxing situation made less painful

By Doug Funke  
staff writer

Before mailing that income tax return, take a few minutes to make sure you've wrung every deduction and credit to which you're entitled.

After all, a dollar is a dollar and better in your pocket than Uncle Sam's or the state legislature's.

Robert Czaplewski, a certified public accountant with Swad and Co. of Livonia, offers several tips that may help you come out further ahead or at least avoid the long arm of the Internal Revenue Service.

First, a point of order. A tax credit is a dollar-for-dollar reduction of tax due. A tax deduction is an offset to income, which generally results in a lower tax liability.

Now, for some of the finer points.

- A new diesel-powered car, light truck or van bought in 1985 is eligible for a tax credit of up to \$198 (based on type of vehicle). Consult Form 4136.

- A state or local refund received in 1984 must be included as income on Line 10 of Form 1040 this year if the taxpayer itemized in tax year 1984. But the refund may be subtracted from income on Line 49B of this year's Michigan state return.

- A lump-sum distribution from a company-sponsored pension plan may be subject to special tax treatment called 10-year forward averaging. Use Form 4972.

"A little-known fact is the state doesn't tax a company pension distribution if it is forward-averaged," Czaplewski said.

Tax may be deferred on the lump-sum pension distribution by placing it into an individual retirement account.

- The Internal Revenue Service allows a deduction of 21 cents per mile — up from 20½ cents — for business use of an automobile. Mileage isn't allowed between home and the workplace. Detailed records must be kept. Consult Form 2106.

- A federal tax credit ranging from 20 to 30 percent of child care expenses is available through Form 2441. Maximum credit is \$720 for one child, \$1,440 for two or more.

- A federal tax credit may be taken for contributions to a political party or campaign. The credit, one-half of the amount given, is limited to \$50 on single returns, \$100 on joint.

- Individuals who sold their houses last year must report the sale on Form 2119 even though they may

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