I’m planning to retire in five years. Should I hire a financial planner?

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By [Karin Price Mueller | NJMoneyHelp.com for NJ.com]

Q. I’ve never used a financial planner but I think I should use one now. I’m planning to retire in about five years and I don’t want to mess it up. I have always managed my own investments so I’m not sure which way to go. How can I decide and what would it cost?

— Getting closer

A. We’re glad you’re thinking ahead.

There are many options available when it comes to financial advice.

First, it is important to recognize that some planners focus on one or two areas of expertise, said Marnie Hards, a certified financial planner with Aznar Financial Advisors in Morris Plains.

For example, some planners/brokers/advisors may just focus on investments, while some may focus just on insurance, she said.

But there are financial planners that provide a more holistic, comprehensive approach that would give you an opportunity to look more broadly at your entire financial picture.

“These advisors would be able to provide you with a general overview of your entire financial life, from the basics of cash flow planning to income tax planning, education funding, estate planning, employee benefit planning, long-term retirement projections, insurance analysis and investment review,” she said.

The more clarity you have on what you are looking for specifically, the more effective your search will be because it will be tailored to your needs.

You also need to pay attention to how advisors are paid.

Some advisors earn income by charging commissions on products they sell, some charge a fixed fee for a plan, some charge a combination of fees and commissions, others charge a fee based on a percentage of assets under management and some charge a fixed annual retainer for ongoing service, Aznar said.

“Many investors like the idea of working with a fee-only advisor whose income is unrelated to the investment or product recommendations that they make,” she said. “This fee structure tends to provide some reassurance that the advice you are getting is objective, unbiased and conflict free.”

If you are interested in finding an advisor in your geographic location, it is always helpful to start with personal recommendations, she said. Do you know any friends or family who work with an advisor who they are happy with? If so, that may be a good place to start.

If that doesn't get you anywhere, check out these organizations:

The National Association of Personal Financial Advisors is a group of fee-only advisors. You can do a search for an advisor in your geographic location.

Then there's the Garrett Planning Network, which recommends fee-only planners. If you're looking for someone who can help you on a short-term basis, perhaps hourly or just for help with a specific project, this might be a good place to start, Aznar said.

You can also try the Financial Planning Association, which allows a search for Certified Financial Planners by location.

Once you have the names of a few people in your area, you should set up a time to talk to them by phone to get a sense of whether you will be comfortable with that person, Aznar said. If so, you should be able to schedule a free in-person consultation before making any commitments.

During your meeting, you need to talk about fees. The planner should be upfront about how he or she is paid.

Aznar said the fees involved can vary significantly.

"If you work with a planner who charges commissions on products sold, they will earn some percentage of whatever you invest or whatever premium you pay," she said. "Advisors who work on an hourly or project basis typically charge somewhere between $200 to $400 per hour."

Fees are different if you hire a fee-only advisor on an ongoing basis, she said.

"You can typically expect to be charged anywhere from 0.75% to 1.5% per year on the assets under management on a quarterly basis," she said. "Some advisors charge retainer fees which will typically be close to that range but charged on a fixed basis instead of linked to the value of your investment portfolio."

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