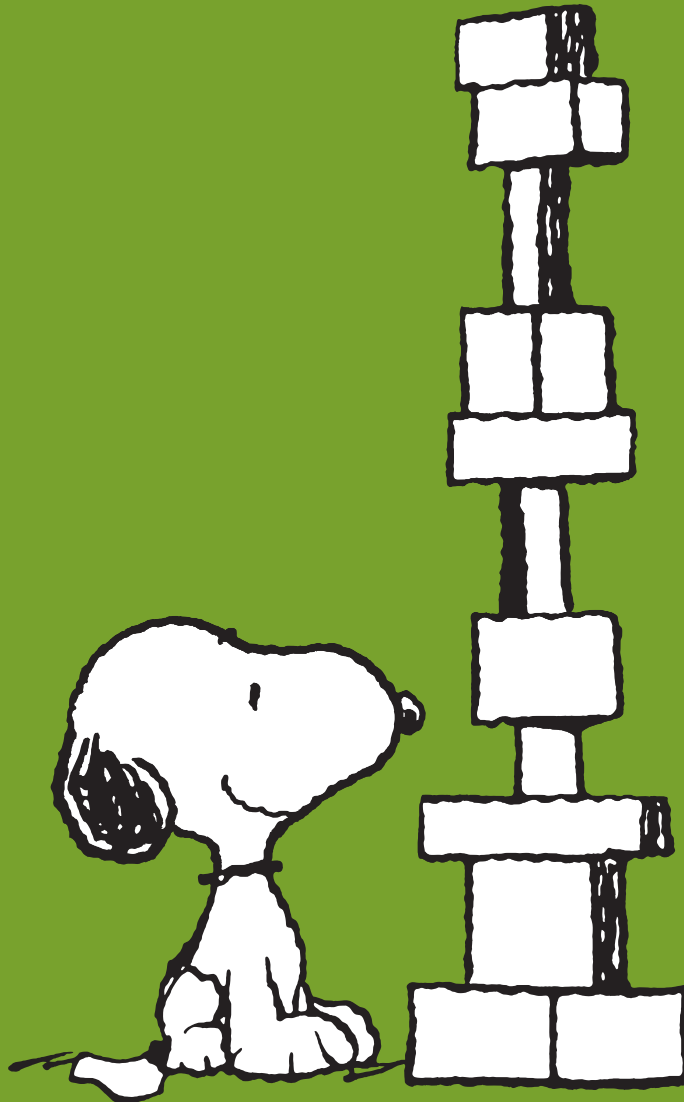
# Building Financial Freedom

MetLife®

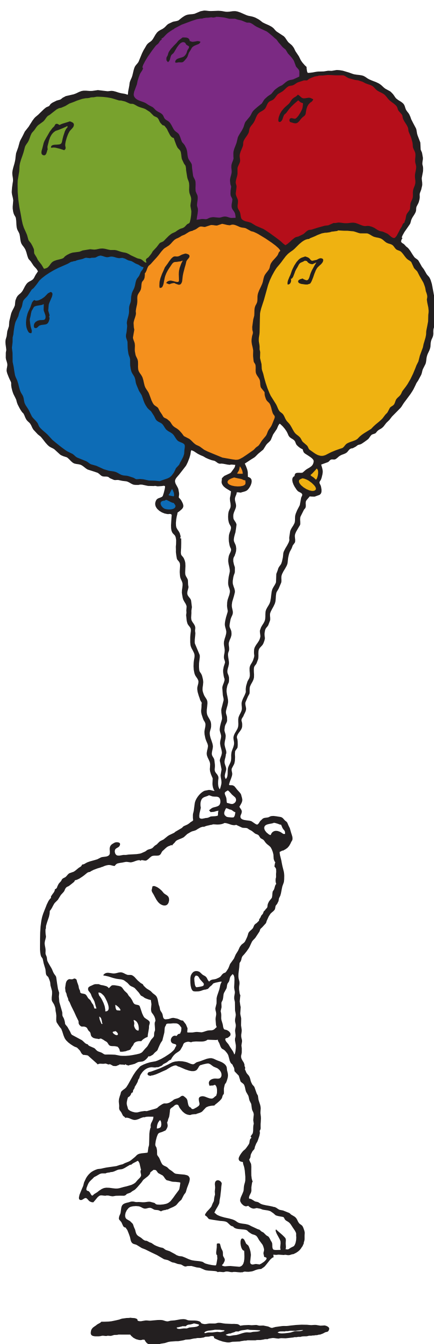
LIFE ADVICE

Building blocks for a better financial future



**Does the idea of financial planning for the future seem complex or confusing?** Are you worried that you won't be able to save the money you need to send your children to college or to have a comfortable retirement? Well, you're not alone, and there are steps you can take to get started. Learning about the kinds of savings, investment, and retirement plans available to you is a big step on the road to financial freedom.

On the following pages, you'll learn about ways to improve — or develop — your savings and investment strategies. You'll also find out what a financial advisor or planner can and can't do for you, and how to find a good one.



MetLife Consumer Education Center

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## The First Step: Establish a Spending Plan

To get started, use the worksheet on this page to formulate a monthly spending plan. Fill in the monthly dollar amounts for each item on the worksheet; then subtract your total expenditures from your total income. This is the amount you can save without making any changes in your spending habits. A recommended savings rate is 10 percent of your take-home pay. If your total from the worksheet is a negative number or is less than you would like to save, find areas where you can cut spending.

To find ways to save, look over your worksheet entries to see what you can do to reduce expenses. Perhaps you can rent videos rather than going to the movies; cut down on your dry cleaning bill; use coupons at the grocery store; join a carpool; or take your lunch to work rather than eating out. Over time, you may be able to find ways to save even more. You could, for example, buy a used car instead of a new one, or investigate the possibility of a lower mortgage rate if you own a home.

As you identify categories where you will reduce expenses, revise your worksheet to reflect the changes and see how the "bottom line" grows. Once you've determined how much you can save each month — no amount is too small — add a permanent "savings" category at the bottom of the worksheet, under "other."

Successful savers know that an important rule is: *pay yourself first*. Set aside savings as soon as you get your paycheck, *before* you have a chance to spend the money on anything else. It helps to have savings automatically deducted from your paycheck or checking account. But don't get discouraged if an emergency cuts into your savings. Just get back on track the following month.

## Set Short and Long-Term Goals

A good first savings goal is to put aside three to six months of living expenses as a cushion against emergencies. Keep your financial cushion and any funds you plan to use in the near future tucked away in an easy-access savings account, short-term certificate of deposit (CD), or money market account. See **Savings Options** on page 2. Make sure the bank or financial institution where you keep this money is insured by the Federal Deposit Insurance Corporation (FDIC), which protects the money you have on bank deposit up to $100,000.

Your next step is to figure out what your long- and short-term financial goals are. Do you want to save to buy a home? Are you trying to accumulate money for a child's college education? Are you planning for retirement? Are you saving for a vacation? Think about it, decide what your goals are, and write them down. Once you have a list, you can prioritize the items in terms of their importance to you, and make an estimate of the time frame (e.g., six months, ten years)— the amount of time you have to reach the goal.

| Monthly Spending Plan | |
|---|---|
| **Income** | |
| Your Salary | ________ |
| Spouse's Salary | ________ |
| Bonuses | ________ |
| Commissions | ________ |
| Tips | ________ |
| Interest Income | ________ |
| Rental Income | ________ |
| Social Security Income | ________ |
| Pension Income | ________ |
| Alimony/Child Support | ________ |
| Other | ________ |
| **Total Income** | ________ |
| **Expenditures** | |
| Rent or Mortgage | ________ |
| Utilities (including phone, cable tv, gas, electric) | ________ |
| Insurance (home, health, life, disability and auto) | ________ |
| Food | ________ |
| Clothing | ________ |
| Debt Obligations (alimony, child support, credit card balances) | ________ |
| Child Care Expenses | ________ |
| Med/Dental Expenses | ________ |
| Taxes (income, property) | ________ |
| Transportation (car payments, maintenance, gas) | ________ |
| Personal (toiletries, clothing, allowances) | ________ |
| Gifts (birthdays, holidays, charities) | ________ |
| Recreation (movies, vacations) | ________ |
| Other | ________ |
| **Total Expenditures** | ________ |
| **Subtract Total Expenditures from Total Income** | ________ |

## Risk vs. Reward: Finding an Investment Strategy That's Right for You

Before choosing savings vehicles or investments, it's important to understand the relationship between risk and reward. In general, higher-risk investments have higher potential rewards — and higher potential losses.

Risk is inherent to investing. If you're an extremely cautious investor, you run the risk that inflation will outpace your earnings and erode your purchasing power. On the other hand, higher-risk investments tend to be more volatile (i.e., have more ups and downs), which can be disastrous for short-term investors. You need to determine how much risk you can tolerate — without losing sleep — before you invest.

A variety of factors, including your age, personality, and investment time frame (i.e., how long until you may need the money) may influence your tolerance for risk. See if you recognize yourself in one of the following three investment styles.

- **The conservative investor** can't stand the idea of losing the *principal* (i.e., the initial amount of money invested). This investor prefers to put money in fixed-return investments where the principal and interest are guaranteed (based upon claims paying ability). Savings accounts and certificates of deposit (CDs) that are generally insured by the Federal Deposit Insurance Corporation (FDIC) for up to $100,000 are examples. Be aware, however, that the rate of return may not outpace inflation, so there is still a risk — the risk of losing earning power.
- **The moderate investor** certainly doesn't want to lose any principal, but realizes that greater reward goes hand-in-hand with greater risk. This investor is most comfortable with a combination of low- and high-risk investments. Market drops may make this investor flinch but not worry excessively, because he or she is aware that the potential for greater long-term gain means riding out the dips.
- **The aggressive investor** has a constitution that can handle market swings. This investor seeks the greatest reward possible for every dollar invested, and has no problem with the idea of investing in speculative stocks, futures, or junk bonds. While this winner-take-all attitude holds the potential for great gain, it also holds the potential for great loss. And since loss is something an investor needs time to recover from, this type of aggressive investing is better suited for long-term financial goals.

Striking a balance between risk and return is important to every investor, and one way to accomplish a balance is through *diversification.* When you diversify, you distribute your money across several types of investments, some with higher risk and some with lower risk. A diversified portfolio might include stocks, bonds, and savings vehicles (e.g., CDs) to help even out the ups and downs of the market. You'll want to pick your own mix based on your risk tolerance, investment goals, and time horizon. Diversification cannot eliminate the risk of investment loss.

## Savings Options

The magic of compounding. If you could save just one dollar a day — less than the price of a cup of coffee in most convenience stores — and invest this money at 4 percent, compounded daily, here's how it would grow:

| | Amount Saved | Savings + 4% Interest |
|---|---|---|
| **One Year** | $365 | $372 |
| **Five Years** | $1,825 | $1,929 |
| **Ten Years** | $3,650 | $4,487 |
| **Thirty Years** | $10,950 | $21,169 |

The effects of compound interest are far more dramatic when your investments earn higher rates of return. The Rule of 72 is a useful tool to show how the rate of return affects investments. You can find out approximately how long it will take for your money to double by simply dividing 72 by the rate of return. For instance, at 6 percent, it will take 12 years to double your money (72 divided by 6 is 12 years). At 10 percent, your money may double in a little over 7 years.*

*Please keep in mind that this is just a rule of thumb. The Rule of 72 is based on a hypothetical illustration and does not represent performance of any specific product and therefore there is no assurance that investments would double within a specific time frame.

Savings vehicles tend to be lower-risk/lower-return options. Following is a quick guide to the most common savings vehicles:

**Savings Accounts** are a good place to store emergency funds and savings for short-term financial goals. Funds are readily accessible, and the Federal Deposit Insurance Corporation (FDIC) generally insures savings accounts up to $100,000. Their chief drawback is that interest rates tend to be low. The interest rate paid on a savings account is often less than the rate of inflation, so your money will not grow as fast as the rising price of goods and services. For this reason, savings accounts are usually inadequate to meet long-term goals.

**Money Market Accounts** are similar to savings accounts, but usually earn slightly higher interest and still allow easy access to your money. Some banks and financial institutions require an initial deposit of $1,000 or more and limit the number of withdrawals you can make during a given period of time. Bank money market accounts may also be FDIC insured up to $100,000. Money market mutual funds are issued by other financial institutions (e.g., stock brokerages) and are not FDIC insured and may lose value.

**Certificates of Deposit (CDs)** are generally FDIC-insured, and usually earn more interest than savings accounts with equally little risk,

but with less liquidity. CDs provide higher interest rates in exchange for the agreement to keep your money in the CD for *a fixed period of time*, usually three months to five years. In general, longer term CDs have higher interest rates. Note that there is usually an interest penalty for taking money out before the end of the agreed-upon time period.

## Investment Options

Once you've accumulated some savings, consider investments that may help your money grow over the long term. Look for investments that will earn enough to outpace the cost of living (i.e., inflation). For example, if an investment earns 4 percent interest and the rate of inflation is also 4 percent, your savings will not increase in value. Don't forget, though, that investments with higher returns also carry greater risk.

### Stocks

When you buy stocks — also called equities — you become part owner of a company. That is, you own a "share" of a company's assets. If the company does well, you may receive dividends (i.e., a small portion of a company's earnings usually paid at regular intervals) and/or be able to sell your stock at a profit. If the company does poorly, though, the stock price may fall and you could lose some or all of the money you invested. Stocks in general are higher risk than savings vehicles or bonds.

### Bonds

When you purchase a bond, you are essentially loaning money to a corporation, the U.S. government, or a local government for a certain period of time — anywhere from a few months to 30 years. The issuing entity pays you a periodic rate of interest over the life of the bond, in addition to repaying the initial bond amount at the end of the term. Overall, bonds are considered a safer investment than stocks, because bondholders are paid before stockholders if a company becomes insolvent (i.e., unable to pay all of its debts). Independent agencies such as Standard & Poor's and Moody's rate bonds in the marketplace according to default risk. Examine the ratings of bonds before you buy.

It's important to understand the relationship between interest rates and bonds. When interest rates go up, there is a risk that the market value of bonds will go down. If the market value of a bond you own goes down, and you want to sell before the bond's maturity date, you may receive less than you originally paid for the bond and/or less than the maturity value of the bond. The interest rate of bonds, however, remains fixed. For example, if you try to resell a bond when interest rates in general are higher than the bond's interest rate, your bond will not be attractive to buyers, and its market value will drop. Conversely, if your bond pays a higher interest rate than the bonds that are currently being sold, your bonds will be desirable to buyers and the price may go up. Types of bonds include:

**U. S. Savings Bonds, Treasury Bills** (or T-Bills) are sold by the federal government and are principal protected and not subject to interest rate risk.

**Municipal bonds** (often called munis), sold by states, cities, and other local governments, are generally exempt from federal taxes (i.e., you will pay no federal tax on the interest). Depending on the issuer, muni bonds may be exempt from state and local taxes as well.

**Insured bonds** generally pay lower interest rates, because a third party guarantees payment of interest and principal. Insured bonds have less risk of default.

**Corporate bonds** issued by companies, which may include the following types:

- **Zero coupon bonds,** similar to savings bonds, are bonds that do not pay interest during the life of the bond. You buy zero coupon bonds at a deep discount from their face value. *Face value* is the amount the bond will be worth when it "matures" or comes due. At maturity, you receive one lump sum equal to the initial investment plus interest that has accrued over the life of the bond.
- **Convertible bonds,** which can be converted into stock.
- **High-yield bonds,** commonly referred to as junk bonds, are issued by corporations or governments with low ratings. They have a higher risk of default.

### Mutual Funds

A mutual fund is a pool of money, supplied by investors like you, that is invested in various securities such as stocks, bonds, money market instruments, or a combination of these investments. Every share of the mutual fund represents a proportion of ownership of the fund's total assets (e.g., investments) as well as a proportion of the income those holdings generate. The share value of a mutual fund will go up and down as market conditions change, and investors may make or lose money. Mutual funds are not FDIC-insured, even when they are sold through a bank. Typically, mutual funds have a professional manager or team of managers making day-to-day and minute-by-minute buy and sell decisions.

By investing in mutual funds, you can diversify your investments and balance risk — but there are literally thousands of mutual funds and their relative risk varies widely. Note that mutual fund companies are required by law to provide you with a prospectus *before* you invest. A

prospectus is a legal document providing detailed information about the mutual fund's investment strategy, fee structure, and operations. Read it carefully before investing.

***Mutual funds are sold by prospectus, which is available from your registered representative. Carefully consider investment objectives, risks, charges, and expenses before investing. For this and other information about any mutual fund investment, please obtain a prospectus and read it carefully before you invest. Investment return and principal value will fluctuate with changes in market conditions such that shares may be worth more or less than original cost when redeemed. Diversification cannot eliminate the risk of investment losses.***

## Retirement Savings Options

**Individual Retirement Arrangements (IRAs)** are sometimes called "traditional IRAs." IRAs were established by Congress to encourage people to save for retirement by providing tax advantages. Qualifying individuals may contribute up to $5,000 annually to an IRA. If you're aged 50 or over, you may make catch-up contributions of $1,000 beginning in 2006. Tax benefits vary depending on your income and whether you contribute to other tax-advantaged savings plans (e.g., a 401(k) plan). In addition to a possible tax deduction of IRA contributions, earnings in an IRA grow tax deferred until withdrawals begin. Your money must be designated as an IRA, in an approved account. You have a wide choice of investment options, including stocks, bonds, mutual funds, CDs. Funds in an IRA are considered long-term savings and, as with 401(k) plans, you may be subject to a 10 percent IRS penalty as well as to tax liability for premature withdrawals — generally before the age of 59½. Consult a qualified financial or tax professional for more complete information.

**Roth IRA.** Contributions to a Roth IRA are made with after-tax dollars, but investments grow tax-free. Qualifying individuals may contribute up to $5,000 annually to an IRA. If you're aged 50 or over, you may make catch-up contributions of $1,000. Roth IRAs have income limits. That is, you may not make contributions if your adjusted gross income is more than $110,000 (filing singly) or $160,000 (filing jointly). Investment options are the same as those in a traditional IRA. Unlike traditional IRAs, though, all contributions to a Roth IRA are made with after tax monies. However, if you meet the distribution requirements of the plan, withdrawals of both contributions and earnings are tax-free. If you don't need the tax deduction you can get on a traditional IRA, a Roth IRA is probably a good choice if you qualify. Like traditional IRAs, early withdrawals may be taxed or may incur tax penalties. Consult a qualified financial  or tax professional for more complete information.

**401(k) Plans.** If your employer offers a 401(k) plan, it may be one of the best retirement savings vehicles available to you. A 401(k) is a retirement savings plan to which you can contribute a certain percentage of your gross income, thereby reducing your current income for tax purposes. In addition, your employer may contribute matching funds to your 401(k) plan. Typically, 401(k) plans offer numerous investment choices, but you will need to choose from those your employer offers.

Earnings in a 401(k) grow tax-deferred. Income tax is due when the money is withdrawn, usually after retirement. If you withdraw money before you turn age 59½, however, you may also be subject to a 10 percent IRS penalty. While early withdrawals are generally not permitted, some 401(k) plans may permit withdrawals for "hardship" reasons, such as medical emergencies or college tuition. You do pay income tax on the amount withdrawn, and a 20 percent mandatory withholding generally is required from the distribution.

**403(b) Plans** are sometimes called TSAs or tax sheltered annuities, because tax sheltered annuities were, at one time, the only investment option for these plans. 403(b) plans are retirement plans for non-profit organizations that are very similar to 401(k) plans, and have investment options similar to 401(k) plans.

**Keogh Plans** are retirement plans for people who are self-employed. Usually, a maximum of 25 percent of net income (to a maximum of $46,000 as of 2008) can be contributed to these plans on a tax-deferred basis. Keoghs are more complicated than IRAs, 401(k)s, or 403(b)s, so it's wise to get advice from a tax professional before setting up a Keogh Plan.

**Annuities.** Annuities are financial contracts issued by an insurance company. An annuity may be deferred or immediate. With a deferred annuity, you put money in, and over time it accrues income and earnings. The payout occurs at some later date when you may receive a steady stream of payments to supplement your income.

Immediate annuities are purchased with one lump sum payment and payouts usually begin immediately. You receive payments on a regular basis (e.g., monthly), giving you with a steady stream of income. Generally, you can choose to have the payouts guaranteed by the issuer for as long as you live, or choose from a number of other payment options.

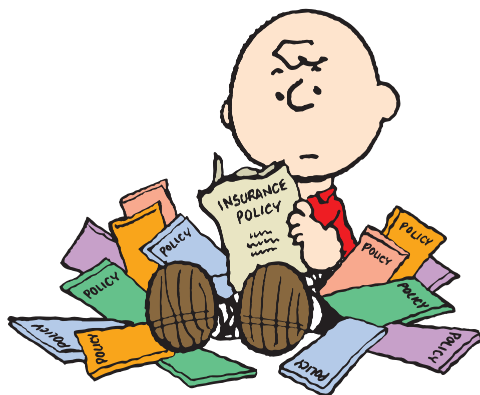
Because insurance companies generally administer annuities, they can be set up to include life insurance benefits, such as a death benefit to a surviving spouse, which may or may not have an additional fee.

Bear in mind that annuities can be a complicated investment. Before purchasing, discuss specifics with a qualified financial professional to make sure you understand all the options and make the best decisions to meet your financial needs.

## Beyond Savings…

### Social Security

You've probably paid into it for most of your life; don't forget to include it in your financial planning. The income you receive from Social Security when you reach the eligibility age (age 65 for full benefits, rising to age 67 for those born in 1960 or later) is based on a percentage of your earnings averaged over most of your working lifetime. If you die, your spouse may be entitled to your benefits. Social Security is intended to supplement other pension and savings plans. In general, workers with average earnings can expect Social Security benefits of about 40 percent of his or her lifetime average wages. Each year near your birthday, the Social Security Administration sends out a report of your work history and anticipated benefits. Always read this report carefully and contact Social Security if there are any errors. You can also check the record of your earnings and get a statement of your anticipated benefits by calling Social Security at 800-772-1213 or visiting their website: www.socialsecurity.gov.




### Insurance: Protecting You, Your Family, and Your Assets

As any financial planner will tell you, insurance is an important part of building and *protecting* your financial freedom. Unexpected events—disability, illness, and accidents—can spell financial disaster for you and your loved ones if you don't plan ahead.

**Life Insurance** can provide financial protection for your loved ones, in the event of your death. It's important if you are married, and even more important if you have dependent children. Your income can be considered your family's most valuable asset. Your income is used to obtain the necessities of life and, of course, provide the creature comforts. The need for that income continues, whether or not you're here to provide it.

Although the primary purpose of life insurance is protection, certain types of life insurance may provide benefits for you and your family while you're still living. *Whole life* and *universal life* insurance policies, for example, may accumulate cash value on a tax-deferred basis. The accumulated cash value can be used to supplement your retirement income or help pay for a child's
education. Cash value withdrawals may be taxable and will not only reduce the cash value, but also the death benefit amount.

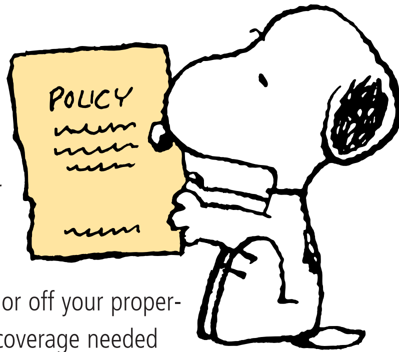
*Term life insurance* offers protection for your loved ones for a specified period of time—usually from one to 20 years. If you stop paying premiums, the insurance stops. Term policies pay benefits if you die during the period covered by the policy, but they do not build cash value.

**Health Insurance** coverage helps pay the cost of medical care due to illness or injury. Without health insurance, you run the risk of being financially drained by a serious illness or accident. Many people have access to group coverage through their employers. And in many cases, employers subsidize health benefits. Health insurance may also be available at group rates through professional associations and affinity groups. Coverage can also be purchased individually, but if you have access to an employer-subsidized plan, it's probably your most cost-effective option.

**Disability Income Insurance** replaces a portion of your income when you can't work due to illness or injury. Most policies replace 50 to 70 percent of income. Any benefits from a disability policy you purchase yourself are tax-free. If your employer provides the insurance as a benefit, however, you will pay tax on the payments you receive if you become disabled. If your employer provides a 60 percent disability policy, you may want to consider a supplemental policy covering an additional portion of your income. Disability income insurance is an often-overlooked form of protection; check with a financial professional to determine if it's appropriate for you.

**Long-Term Care Insurance** is designed to help pay for nursing home care; home health care; and/or assisted living if you become cognitively impaired or need assistance with certain activities of daily living such as eating or dressing. Long-term care insurance can protect you, your family, and your assets. The cost of this insurance varies with age—in general, the older you are, the more it will cost. Cost will also be based on the maximum daily benefit you choose and other variables. Long-term care insurance can be particularly important to a married couple. Without it, if one spouse needs long-term care, the other may suffer financial hardship to pay for care for their spouse.

**Homeowners Insurance** protects your financial investment in your home. A basic homeowners policy provides compensation for damages to your home and its contents due to specifically named risks such as lightning, theft, fire, smoke, wind, and explosion. Another important




benefit of homeowners insurance is liability coverage that protects you, and family members who are part of your household, if someone finds you legally responsible for injuries or damages, either on or off your property. The extent and amount of coverage needed depends on your situation, but if you can afford it, it is wise to insure your home for 100 percent of its replacement cost. If you rent your home, consider a renters policy that covers your possessions (e.g. furniture, stereo equipment, jewelry).

**Auto Insurance** is more than vehicle coverage for loss or repairs after an accident. It is a financial safety net that can help you offset various accident-related costs including medical expense due to injury to yourself or others; lost wages due to injury; and benefits to survivors when an accident results in death. Additionally, auto insurance helps to protect you from the financial impact of lawsuits if you are judged legally liable for an accident. Most states require purchase of basic auto insurance coverage.

Before purchasing any type of insurance, educate yourself and compare coverage from at least three insurance companies. A qualified financial advisor can help you determine the types and amounts of insurance coverage are right for you.

Choosing insurance is an important decision, best made with the help of professionals who understand your personal and financial situation. Consult a qualified insurance agent or financial planner to find out how insurance fits into the "big" picture of your financial future.

## Financial Advisors or Planners

Planning to achieve your financial goals is a complicated job that can be made easier with the help of a qualified financial advisor or planner. For a fee generally based on the nature and complexity of the plan, financial planners assess the "big picture" of your financial situation and make financial planning recommendations that are right for your particular needs. Financial professionals can address budgeting, saving, taxes, investments, retirement, and insurance. The "big picture" approach distinguishes financial planners from other professionals, like estate attorneys or accountants, who focus on a particular financial area (e.g., taxes). A qualified financial planner can help you understand how each financial decision you make relates to other financial decisions. In general, financial planners and advisors will offer the following services:

- A thorough examination of your financial history, including tax returns, debts, investments, retirement information, insurance policies, and wills.
- Development, in consultation with you, of a written, personal financial plan. The plan may include ways to improve investment returns, recommendations for building up retirement funds, ways to reduce tax payments, and recommendations for insurance coverage. A good financial planner will make sure you understand the proposed plan and your options.
- Implementation of your plan, if you'd like it. A financial planner may refer clients to specialists (e.g., lawyers, accountants, stockbrokers) to provide services they cannot, but the financial planner should disclose any referral fees he or she might receive.
- Periodic reviews of your plan, including recommended changes when needed.

You may want to hire a financial planner to draw up a comprehensive financial plan, and then decide whether to implement the plan yourself or ask your financial planner to help you put your plan into action.

### Where Do I Begin?

Finding the right financial planner will take some time and careful consideration, but it is time well spent. The goal is to find a qualified, experienced person who understands and respects your ideas about handling your money. Don't make the mistake of choosing a stockbroker or financial planner from the Yellow Pages. Ask for referrals from people you trust: family members and friends, your accountant, lawyer, banker, or insurance agent. Also, various financial planning associations will provide you with the names of financial planners in your area. See **For More Information** on page 9.

Interview at least three individuals to find one that's right for you. Some credentials you may want to look for in a financial advisor or planner:

**Education.** Financial planners often have a Bachelor's degree in business, accounting, or finance, but it is not a legal requirement, nor is it a requirement for most certifications. Many certifications are based on training after college. You'll need to decide how important a relevant college degree is to you.

**State registration.** Many states require that financial planners be registered and/or pass exams. If your advisor is going to sell certain financial products (e.g., securities or insurance) additional licensing is required. Check with your state's Securities Administration or Department for state-specific requirements.

**CERTIFIED FINANCIAL PLANNER.**™ This certification from the CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS is awarded to people with at least three years of work experience in the financial planning field, who have completed an approved course of study, passed a rigorous exam on financial planning, and met certain other ongoing educational and ethical requirements.

**Chartered Financial Consultant** (ChFC). A ChFC certificate is awarded to people who have completed a designated course of study and passed the exams on personal finance offered by The American College in Bryn Mawr, Pennsylvania.

**Certified Public Accountant** (CPA). CPA certification ensures that a person has passed a stringent examination on accounting and tax preparation, but it does not indicate training in other areas of finance. For that, you'll want to find out if a CPA has also been certified as a Personal Finance Specialist (PFS), a designation awarded by the American Institute of CPAs to those who meet certain requirements in the area of personal financial planning.

**Chartered Life Underwriter** (CLU). People with CLU certification have completed course work and taken exams regarding life insurance. They do not necessarily have training in other areas of financial planning.

Some financial planners not only provide insurance advice, but also sell financial products (e.g., investment products). They may work for a flat fee, for a commission, or for a combination of both. Those who work on commission make most or all of their income from the sale of investments and other financial products. "Fee-only" financial planners may be more expensive, but they do not make a commission by selling you certain products. Their fees may be based on an hourly charge, a specific charge associated with a specific service, or a percentage of a client's assets or income. Note that although fee-only planners do not sell financial products or charge commissions, it is likely that whoever handles the purchase or sale of investments your planner recommends will charge a commission.

## Narrowing The Field

Understanding the credentials of a financial professional you're considering is a good start, but there are other important considerations. Narrow your list to several top candidates and set up an interview with each. Be sure to ask in advance if there will be a charge for this meeting. Prevent any misunderstandings by stating up front that the purpose of the meeting is to find out more about the planner's knowledge, experience, and investment philosophy.

At your meeting, ask for references and a copy of the financial advisor's resume, including education and professional training, along with any professional designations earned. Call the accrediting organization later to check on whether the person is a member in good standing.

Basic questions you need to ask:

1. What is your experience?
2. What are your qualifications?
3. What services do you and your firm offer?
4. What is your approach to financial planning (e.g., attitude toward risk)?
5. Will you be the only person working with me?
6. How will I pay for your services (e.g., hourly fee, commissions, percentage of assets)?
7. How much do you typically charge (e.g., an estimate of possible costs)?
8. Can I have it in writing (e.g., a statement of services/fees)?
9. Could anyone besides me benefit from your recommendations (e.g., are there conflicts of interest)?
10. Have you ever been disciplined for any unlawful or unethical actions in your professional career?

The Securities and Exchange Commission (SEC) website has a link to a more detailed checklist you can use to guide you when interviewing financial planners. Visit www.sec.gov/investor/brokers.html.

Remember, your choice of a financial advisor will affect your financial future. Don't be embarrassed to ask questions, and expect direct answers. And don't hesitate to do background checks yourself. See **For More Information** on page 9.

A less tangible but important consideration is whether you are comfortable with a prospective financial planner. Does the person seem to have time for you, regardless of how much money you have to invest? Does he or she really listen to you and seem to respect your opinions? Does the person use financial jargon or explain investments to you in terms you can understand?

## Building a Lasting Relationship

Once you've chosen a financial planner, it will be your turn to answer lots of questions. Your financial planner will need to know what stage of life you're in, and what your financial goals are — whether saving for a child's education or planning for retirement. You'll need to be very direct about your goals and tolerance for risk. If he or she does not seek to fully understand your individual situation and preferences, you may not have selected the right planner.

Make sure you know and understand the policies of the individual or firm you're dealing with. It's your right to know where your funds are at all times, and to understand how they may be accessed and by whom. Remember, you have the right to withdraw your money at any time for any reason, but you may incur fees and/or tax liability for doing so. Make sure you understand the details.

If your chosen planner is also a registered representative (e.g., licensed to sell stocks and bonds), he or she may not make a trade without your permission, unless you have granted *discretionary authority*. That is, the authority to act on your behalf *without contacting you* first. Think twice before granting discretionary authority. Such authority should be given only under *very limited* circumstances, since it gives your representative the power to make trades with your money *without your express permission*.

Plan to meet at least yearly with your representative to review your investments and to revise your plan, if needed. If you have a major life change during the year — such as the birth of a child or grandchild or the death of a spouse — arrange for a special meeting with your representative. Life changes often indicate the need for investment changes.

## For More Information

### References

*The Intelligent Investor (Revised)*
by Benjamin Graham & Jason Zweig
Published by HarperCollins Publishers

*The Wall Street Journal Guide to Understanding Money & Investing (Third Edition)*
by Kenneth M. Morris & Virginia B. Morris
Published by Lightbulb Press, Inc.

### Free Brochures

The quarterly Consumer Information Center Catalog lists more than 200 helpful federal publications. Obtain a free copy by calling 888-8-PUEBLO or on the Internet at www.pueblo.gsa.gov.

### Other Resources

The following Professional Associations can provide referrals to qualified financial professionals in your community, as well as information on how to find, interview, work with, and check the disciplinary history of financial professionals.

**www.fpanet.org**
Financial Planning Association
1-800-322-4237, or

1615 L Street NW
Suite 650
Washington, DC 20036-5606

**www.cfp.net**
Certified Financial Planner Board of Standards, Inc.
1-888-237-6275, or
1700 Broadway, Suite 2100
Denver, Colorado 80290-2101

**www.napfa.org**
National Association of Personal Financial Advisors (Fee-only Planners)
1-888-FEE-ONLY, or
355 W. Dundee Road, Suite 200
Buffalo Grove, IL 60089;

**www.aicpa.org**
American Institute of Certified Public Accountants,
1-888-777-7077, or
Personal Financial Planning Division
Harborside Financial Center
201 Plaza 3
Jersey City, NJ 07311-3881

**www.iarfc.org**
International Association of Registered Financial Consultants
1-800-532-9060, or
The Financial Planning Bldg
P. O. Box 42506
Middletown, OH 45042

To check the disciplinary history of a financial planner or advisor:

**www.finra.org**
The Financial Industry Regulatory Authority
You can check out advisors and brokers in "Investor Information."
1-800-289-9999

### Helpful Websites

**www.aaii.org**
The American Association of Individual Investors is a dues-based, non-profit organization that attempts to present unbiased facts and essential knowledge about investing.

**www.irs.gov**
The Internal Revenue Service website has up-to-date tax information.

**www.ssa.gov**
The Social Security Administration website provides access to tools to project your social security retirement benefit.

**www.sec.gov/investor/brokers.htm**
The Securities and Exchange Commission website has a link to a detailed checklist for interviewing financial professionals, and other useful information.

**www.csrees.usda.gov/fsll**
Click on "Tools for Consumers" for online learning to help you achieve financial security for yourself and your family.

**www.MyMoney.gov**
The Federal Government's website dedicated to helping Americans understand more about money.

Banking products and services, including deposit accounts, offered by MetLife Bank®, NA, Member FDIC, a MetLife affiliated company. **Investments are not FDIC Insured, May Lose Value, and are not Bank Products.**

Auto & Home Insurance issued by Metropolitan Property and Casualty Insurance Company and its Affiliates, Warwick, RI. Metropolitan Life Insurance Company, MetLife Investors Distribution Company, MetLife Securities, Inc., MetLIfe Bank, and Metropolitan Property and Casualty Insurance Company are affiliates.

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