

How to Pick a Financial Adviser

By Tammy Flanagan

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One of the questions I get asked over and over at my seminars is: “How do I find a financial adviser who I can trust and who understands federal retirement benefits?” Sometimes, I get mistaken for such an adviser, since I talk about financial issues in the context of discussing federal retirement benefits. It’s true that the topics of benefits and financial planning are intertwined. But there’s a difference between the two.

Think of it this way: If you ask a retirement specialist at your agency, “When should I retire?” they would be able to tell you when you would be eligible for retirement and might even help you pick a date that maximizes your retirement benefits. But the question, “When can I afford to retire?” requires a different kind of expertise -- that of a financial planner.

Who has been your financial planner so far? The answer may be yourself -- and you may have done a great job. But you may also be reaching the point where you need some outside help to ensure your decision-making is sound when it comes to planning for life after government.

The Old and the New

Under the older Civil Service Retirement System, financial planning considerations were simpler. CSRS is based on a single defined benefit that replaces a portion of your pre-retirement income -- up to 80 percent of it, in fact. Once retirement begins under CSRS, the benefit is paid monthly for life and includes an annual cost of living adjustment. So as long as you’ve worked long enough to earn adequate replacement income, there isn’t too much planning involved.

Under the Federal Employees Retirement System, there are three moving parts: Social Security, the FERS Basic Retirement Benefit and the Thrift Savings Plan. The first two parts, like CSRS, provide monthly benefits for life. The Social Security retirement benefit includes an annual cost of living adjustment similar to CSRS. But the FERS basic retirement benefit has a delayed and smaller COLA that will cause the benefit to lose some buying power, especially in times of high inflation.

Depending on your length of service, your age at retirement and your wages, Social Security and the FERS basic benefit may be enough to cover your day-to-day living expenses in retirement. But if not, then you’ll need to use your TSP to provide additional income in the form of a monthly payout. Alternatively, you can maintain your TSP as a lump sum and draw from it to cover expenses that come up in retirement, such as a property tax bill or a remodeling project. In many cases, retirees decide they need a combination of a monthly payment and the option to keep some of the money aside in a lump sum.

Many federal employees begin to feel uncertain when it comes to subjects like how to manage your TSP. They may need help or education to figure out how much to save and how to properly invest to achieve their retirement goals.

Baking the Cake

Some people know enough of the basics to follow the directions on a box of cake mix. Others are comfortable even baking a cake from scratch. But others just head to the local bakery and let the experts handle it -- and are willing to pay to do so.

The same concept can be applied to managing your retirement goals. If you have the understanding, education and skill to do this yourself, then you won't need to hire outside help. There is also the enjoyment factor: Is this something you like doing? You can find lots of information about federal retirement planning online, and your agency may offer training in the basics for employees at different stages of their careers.

If you decide to hire professional help, then you need to find someone you can trust and who understands your situation. You can start by getting a referral from a friend or trusted coworker. Also, it's helpful to learn the basic terminology and concepts. In addition to books, magazines and websites, online courses can help you gain basic financial planning knowledge.

Be sure to hire a financial adviser that you feel comfortable talking to and who encourages you to ask questions. Find out how often your planner will meet with you if you are going to enter into a long-term relationship.

Here are some tips for choosing an adviser:

- Interview more than one candidate, so you'll have a basis to compare them in terms of experience, typical client profile, compensation and personality.
- Ask [pointed questions](#).
- Understand what the [letters behind the planner's name](#) mean.
- Check references. Look for a [certified financial planner](#) and [check him or her out with the Securities and Exchange Commission](#).

Understanding Federal Retirement

I would want my adviser to have other clients who are federal employees or retirees. Keep in mind that the adviser is not a benefits specialist, so first get a retirement estimate for CSRS or FERS from your agency as part of the background information that you bring to your first meeting. Likewise, you should print out your latest TSP participant statement and your personal Social Security report.

Understanding your federal retirement benefits is the foundation you need to do financial planning for retirement. If you do not feel confident about going it alone, then hiring a professional can help you avoid mistakes and provide a sense of security as you move forward with your plans.

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