

## PROFESSIONAL ADVISORS

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**Getting the Help you Need.** Traveling through India, Monica Haven's folks encountered this door placard: "Ruwan Patel Jayasinghe, M.D., J.D., Ph.D. (attempted)". Untangle Monica's own alphabetic web of titles—all attempted and acquired successfully: E.A., A.T.A, A.T.P., L.L.M., I.A.R. and learn how to find appropriate professional assistance to manage your personal affairs.

*The information contained herein is for educational use only and should not be construed as tax, financial, or legal advice. Each individual's situation is unique and may require specialized treatment. It is, therefore, imperative that you consult with tax and legal professionals prior to implementation of any strategies discussed.*

- I. Why seek help?
  - Expertise
  - Tools, resources and associates
  - Adjunct services and peripheral advice
  - Clarification, interpretation and anticipation of consequences beyond immediate scope
  - Perspective and calming influence
  - Peace of mind
  - Time management and efficiency
  - Delegation of problem and concern
  - Convenience and opportunity to engage in preferred activities
  - Chance to expand business network
- II. How to find help
  - Family member or friend
  - Yellow Pages and advertisements
  - Professional organizational websites<sup>1</sup>
  - Referral
  - **Interview potential 2-3 service providers**
  - Check for disciplinary taken by professional organizations and regulatory authorities<sup>2</sup>

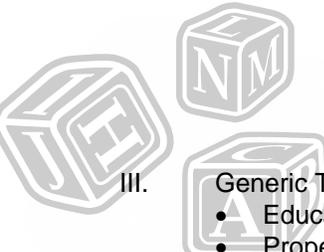


<sup>1</sup> [www.naea.org](http://www.naea.org) for National Association of Enrolled Agents  
[www.csea.org](http://www.csea.org) for California Society of Enrolled Agents  
[www.napfa.org](http://www.napfa.org) for National Association of Personal Financial Advisors  
[www.fpanet.org](http://www.fpanet.org) for Financial Planning Association

<sup>2</sup> [www.cfp-board.org](http://www.cfp-board.org) re certified financial planners  
[www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov) for financial advisors with more than \$25 million under management  
[www.nasaa.org](http://www.nasaa.org) for financial advisors with less than \$25 million under management  
[www.nasdbrokercheck.com](http://www.nasdbrokercheck.com) for registered securities brokers and firms  
[www.cmanet.org](http://www.cmanet.org) for CA-licensed physicians  
[www.calbar.org](http://www.calbar.org) for CA-licensed attorneys

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 III. Generic Traits and Characteristics (Questions to ask)

- Education and training (including continuing education requirements)
- Proper license or credential
- Experience
- Philosophy
- Services offered
- Typical or average client served
- Support network and contingency back-up
- Professionalism (including written contract)
- Image and appearance
- Conduct & disciplinary actions
- Insured or bonded
- References
- **Trust and rapport**
- Cost—are fees negotiable

## IV. Types of Advisors

## A. Medical

1. General Practitioner (a.k.a. Family doctor)
  - Practice covers a variety of medical problems in patients of all ages
2. Specialist
  - Practice is limited to a particular class of patients, diseases or techniques
  - Qualified by advanced training and certification by an examining board
3. Physician Assistant (PA)
  - Certified to provide basic medical services, including the diagnosis and treatment of common ailments
  - Must be supervised by a physician
4. Technician
  - Specialist in the technical application (such as radiology)
5. Nurse Practitioner
  - Registered nurse with special training for providing primary health care, including many tasks customarily performed by a physician

## B. Legal

1. Attorney
  - Advises clients as to legal rights and obligations
  - Represents clients in legal proceedings

*Conversation overheard between two 5-year olds:*

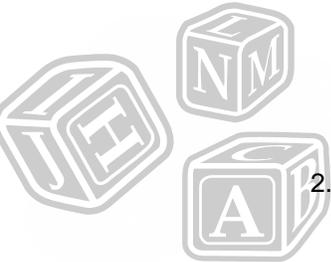
*"My name is Joshua. What's yours?" asked the first boy. "Adam," replied the second.*

*"My daddy is a doctor. What does your daddy do for a living?" asked Joshua. Adam proudly replied, "My daddy is a lawyer."*

*"Honest?" asked Joshua. "No, just the regular kind," replied Adam.*

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2. Law Clerk
  - Law school graduate who provides a judge, magistrate or lawyer with assistance in such matters as research and analysis
3. Paralegal
  - Person with specialized training who assists an attorney

*A young lad goes off to college, but about 1/3 of the way through the semester, he has foolishly squandered away all of the money his parents gave him. He gets the idea to call daddy. "Dad," he says, "you won't believe the wonders that modern education is coming up with! Why, they actually have a program here that will teach our dog Ole Blue how to TALK!"*

*"That's absolutely amazing," his father says. "How do I get him in that program?" "Just send him down here with \$1,000," the boy says. "I'll get him into the course." So, his father sends the dog along with \$1,000.*

*About 2/3 way through the semester, the money runs out. The boy calls his father again. "So how's Ole Blue doing, son?" "Awesome, Dad, he's talking up a storm, but you just won't believe this—they've had such good results with this program that they've implemented a new one to teach the animals how to READ! Just send \$2,500, I'll get him in the class."*

*At the end of the year, the boy has a problem, knowing that his father will find out that the dog can neither talk nor read. So he shoots the dog. When he gets home at the end of the semester, his father is all excited. "Where's Ole Blue? I just can't wait to see him talk and read something!"*

*"Dad," the boy says, "I have some grim news. Yesterday morning, just before we left to drive home, Ole Blue was in the living room, kicked back in the recliner, reading the Wall Street Journal, just like usual. Then he turned to me and asked, 'So, is your daddy still messin' around with that little redhead who lives in town?'*

*The father says, "I hope you SHOT that s.o.b. before he talks to your Mother!" "I sure did, Dad!"*

*(The kid went on to be a successful lawyer...)*

## C. Real Estate

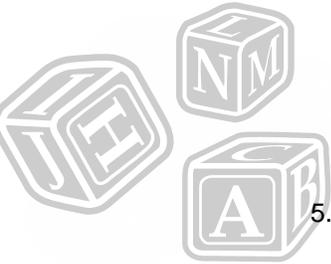
1. Realtor
  - Finds buyers or tenants of real estate for a commission
  - Negotiates contracts of sale

*Professionals of various sorts answered the job placement ad for Divisional Manager and were asked, "What is 2 and 2?"*

- *Real Estate Agent: "22."*
- *Lawyer: Cited Jenkins v Commissioner and said it "was proven to be 4."*
- *Accountant: Got up, closed the door, sat back down, leaned over, and asked "How much do you want it to be?"*

2. Mortgage Broker (a.k.a. Loan Officer)
  - An agent who helps to arrange home loan transactions
  - Licensed by either the California Department of Corporations or the California Department of Real Estate
3. Escrow Agent
  - Neutral third party who holds funds in trust for others
4. Appraiser
  - Qualified by education, training and experience to estimate the value of real and personal property based on experience, judgment, facts and use of formal appraisal processes

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5.

**Property Manager**

- Responsible for marketing, operating, maintaining and/or day-to-day financing of rental properties

**D. Insurance**1. **Agent**

- Commission-based salesman who represents an insurance company
- Must be state-licensed to sell life, health, property or casualty insurance
- Must be NASD-licensed to sell variable annuity or life products

2. **Broker**

- Considered an agent of the insured, even though he or she may receive a commission from an insurance company

3. **Chartered Life Underwriter (CLU)**

- Must attend eight courses administered by the American College
- Expert in life insurance



**"Don't even bother reading the fine print.  
We've included it merely for the sake of tradition."**

**E. Financial**1. **Certified Financial Planner (CFP)**

- Certified by the CFP Board of Standards
- Must have a Bachelor's degree and pass a 10-hour exam
- Trained in 106 topics, including insurance, tax, retirement, estate and investment planning
- Can be commission- or fee-based, or both

2. **Chartered Financial Analyst (CFA)**

- Must pass five exams on securities and portfolio management administered by the Association for Investment Management and Research
- Provides portfolio management and expertise regarding stocks and bonds

3. **Certified Investment Management Consultant (CIMC)**

- Must pass 12 levels of NASD-administered exams

4. **Certified Investment Management Analyst (CIMA)**

- Must attend a week-long course at the Wharton School of Business and pass a 4-hour exam on asset allocation
- Evaluates and selects money managers

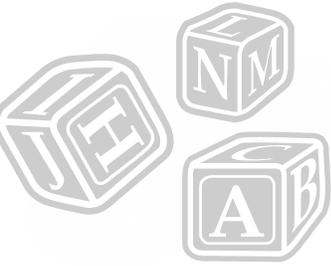
5. **Chartered Financial Consultant (ChFC)**

- Must pass 10 exams administered by the American College
- Provides financial planning advice

6. **Personal Financial Specialist (PFS)**

- Accredited by the American Institute of Certified Public Accountants (AICPA)
- CPA's (only) must pass a 6-hour exam and have 250 hours of experience

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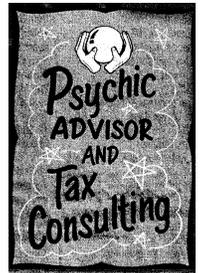


*Three financial planners walk into a bar and order beer. They raise their glasses and toast, "Here's to 59!" They down their beers and order more. "Here's to 59!" Curious, the bartender asks about the significance of the toast. They explained, "We put a 1000-piece jigsaw puzzle together in just 59 days!" "Is that a big deal?" asked the bartender. "You bet—the box said 4 to 8 years!"*

7. Registered Financial Consultant (RFC)
  - Must have a graduate degree in finance or business and have 4 years of full-time practical experience
  - Offers financial planning advice
8. Registered Investment Advisor (RIA)
  - State or federally licensed
  - Gives advice regarding investments for a fee
  - The business entity is the RIA which is represented by an Investment Advisor's Representative (IAR)
9. Asset or Portfolio Managers
  - Compensated based on 0.5 to 2% of portfolio assets under management
  - Narrow scope
10. Stockbroker (a.k.a. Registered Representative)
  - Agent of the employing firm known as the Broker/Dealer (B/D)
  - Commission-based salesman
  - Advises regarding purchases and sales of securities

#### F. Tax

1. Certified Public Accountant (CPA)
  - State licensed
  - Must pass test on topics including audit, practice, taxation and professional ethics
  - Able to review and certify financial statements
  - May or may not be a tax expert



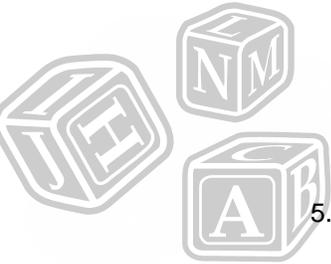
*A businessman tells his friend that his company is looking for an accountant. "Didn't you just hire a new accountant a few weeks ago?" "Yes—that's the accountant we're looking for!"*

2. Enrolled Agent (EA)
  - Federally licensed by the U.S. Department of the Treasury
  - Enabling Act (or Horse Act) of 1884 gave attorneys and agents the authority to represent U.S. citizens for post-Civil War claims against the Department of the Treasury
  - Governed by Circular 230 since 1921
  - Must pass 2-day Special Enrollment Examination (administered since 1959) or have previously worked for the Internal Revenue Service (IRS)
  - Expertise in all tax matters, audit representation and taxpayer advocacy
3. Licensed Public Accountant
  - State licensed

*"A wife is a luxury—an accountant is a necessity." --Ferengi (of Star Trek fame)*

4. Accredited Tax Preparer (ATP)
  - Practical program offered by National Endowment for Financial Education (NEFE) to address tax preparation issues

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5. Accredited Tax Advisor (ATA)
  - Trained by National Endowment for Financial Education (NEFE) to handle complex tax planning issues
6. Taxpayer Advocate
  - Independent organization within the IRS
  - Assist taxpayers facing hardships and those unable to resolve issues through normal channels
  - Can be reached at (877) 777-4778
7. Tax Attorney
  - Admitted to the Bar
  - Communications protected by Attorney/Client Privilege



"No, I never cheat on my income tax, Parkhurst. I always hire someone to do it for me."

*If a lawyer and an IRS agent were both drowning and you could save only one of them, would you go to lunch or read the paper first?*

## V. The Price of Advice

Typical fees for:

- A financial plan might range from \$500-2,000
- Hourly advice from \$150-350
- Ongoing portfolio management from 0.75-3%
- Full-service brokerage from 1-2% of each purchase and sale
- Variable annuities total expenses may average over 2% annually
- Mutual funds from no load to 8.5% for A shares or 1% in 12(b)1 fees for B or C shares
- Appraisal fees from \$250-750 for average residential property
- Real estate commissions are typically 6%, but are negotiable
- Tax preparation fees for a 1040 plus Schedule A Itemized Deductions from \$205

## VI. Maximizing Usefulness and Minimizing Cost

- Be prepared
- Provide documentation (asset list, old tax returns, existing insurance policies, account statements)
- Anticipate questions and have answers at the ready
- **Bring a list of questions and concerns**—possibly provide them in advance
- Take notes

## VII. Consumer Protection

### Professional Associations

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• American Bar Association (ABA)<br/><a href="http://www.abanet.org">www.abanet.org</a><br/>(800) 285-2221</li> <li>• California Bar Association<br/><a href="http://www.calbar.ca.gov">www.calbar.ca.gov</a><br/>(213) 765-1000</li> <li>• American Medical Association (AMA)<br/><a href="http://www.ama-assn.org">www.ama-assn.org</a><br/>(312) 464-5000</li> <li>• California Medical Association (CMA)<br/><a href="http://www.cmanet.org">http://www.cmanet.org</a><br/>415/541-0900</li> <li>• American Institute of Certified Public Accountants (AICPA)</li> </ul> | <ul style="list-style-type: none"> <li>• <a href="http://www.aicpa.org">www.aicpa.org</a><br/>(212) 596-6200</li> <li>• California Board of Accountancy (CPA Licensees)<br/><a href="http://www.dca.ca.gov/cba/lookup.htm">http://www.dca.ca.gov/cba/lookup.htm</a></li> <li>• National Society for Accountants (NSA)<br/><a href="http://www.nsacct.org">www.nsacct.org</a><br/>(800) 966-6679</li> <li>• National Association of Enrolled Agents (NAEA)<br/><a href="http://www.naea.org">www.naea.org</a><br/>(301)212-9608</li> <li>• California Society of Enrolled Agents (CSEA)<br/><a href="http://www.csea.org">www.csea.org</a><br/>916/366-6646</li> </ul> |
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- Certified Financial Planner's Board (CFP)

[www.cfp-board.org](http://www.cfp-board.org)

(888) CFP-MARK

- North American Securities Administration Association (NASAA)  
[www.nasaa.org](http://www.nasaa.org)  
(202) 737-0900
- Better Business Bureau (BBB)  
[www.labbb.org](http://www.labbb.org)  
(909) 825-7280
- Chamber of Commerce

### Regulatory Authorities

- Securities and Exchange Commission (SEC)  
[www.sec.gov](http://www.sec.gov)  
(800) SEC-0330
- Securities Investors Protection Corporation (SIPC)  
[www.sipc.org](http://www.sipc.org)  
(202) 371-8300

- Financial Industry Regulatory Authority  
[www.finra.org](http://www.finra.org)

### Codes of Ethics

- Integrity
- Competence
- Confidentiality
- Diligence
- Objectivity
- Fairness
- Professionalism

### Legislative Protections

- Tax Code
- Labor Code
- Criminal Code
- Dispute settlements, arbitration<sup>3</sup> and mediation
- Courts

### Beware of:

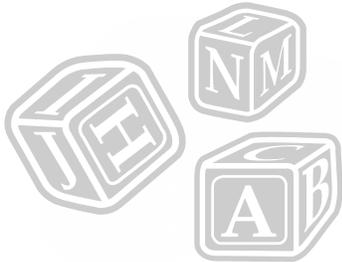
- Unrealistic promises
- Ignorance of tax consequences
- Potential conflicts of interest
- Unwillingness to be subjected to background check
- Personal reluctance to accept advice or act upon advice (**maintain an open mind, but remain wary or at least vigilant**)
- High-pressure sales tactics
- Haste to act
- Advice beyond scope of expertise

- (800) 289-9999
- Department of the Treasury  
[www.irs.ustreas.gov](http://www.irs.ustreas.gov)  
(213)576-3009
- California Franchise Tax Board (FTB)  
[www.ftb.ca.gov](http://www.ftb.ca.gov)  
(800) 852-5711
- California Department of Insurance  
<http://www.insurance.ca.gov/docs/index.html>  
(800) 927 - HELP
- California Department of Corporations  
[www.copr.ca.gov](http://www.copr.ca.gov)  
(800) 437-6995
- California Department of Consumer Affairs  
<http://www.dca.ca.gov/>  
(800) 952-5210
- California Department of Real Estate  
[www.dre.ca.gov](http://www.dre.ca.gov)  
(916) 227-0931
- California Chamber of Commerce  
[www.calchamber.com](http://www.calchamber.com)  
(916) 444-6670

<sup>3</sup> SEC approved amended NYSE Rule 607 to ensure that public arbitrators and their immediate family members will have no ties to the securities industry.

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## Reasons to hire a...

### Lawyer:

1. Peace of mind
2. So you don't go to court alone
3. Power of choice which is otherwise not available is the court appoints counsel
4. The lawyer can prevent costly mistakes
5. Minimize the risk of a bad outcome

*Excerpted from article written by Jim Whitlock @ [www.jimwhitlock.com](http://www.jimwhitlock.com)*

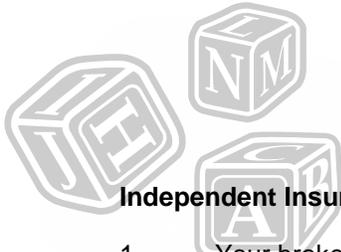
### Real Estate Agent:

1. Realtors are trained specialists governed by a Code of Ethics
2. Realtors act as advocates; thereby share some of the transactional risks with buyers
3. Realtors work on a contingency basis and only get paid upon completion of the transaction
4. Realtors are neighborhood experts who understand the current real estate environment
5. Realtors have access to inventory through the Multiple Listing Service (MLS)
6. Realtors have the ability to network with each other
7. Realtors understand the complexity of the transaction and can interpret information for buyers and sellers
8. Realtors are skilled negotiators who keep pride, ignorance, or stubbornness from getting in the way of a fair deal
9. Realtors lobby Capitol Hill and help to establish and preserve the benefits of owning a home

*Excerpted from article written by Blanche Evans @ [www.realtytimes.com](http://www.realtytimes.com)*

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### Independent Insurance Broker:

1. Your broker understands the needs of customers and the complexities of insurance
2. Your broker does business with many companies, compared to an agent who represents only one company
3. Your broker offers a wide range of services and products from competing insurance companies at the most competitive rates
4. Your broker will shop the market on your behalf
5. Your independent broker maintains a professional standard
6. Your independent broker is obligated to uphold your confidentiality
7. Your independent broker provides peace of mind
8. Your broker assists you in the loss settlement process and will guide you through the procedure

*Excerpted from article written by Omni Insurance Brokers @ [www.sproulins.com](http://www.sproulins.com)*

### Stockbroker:

1. Brokers can help to develop realistic financial plans
2. Brokers are trained to look at the "big picture"
3. Brokers level the playing field in a market dominated by professionals
4. Brokers combat knee-jerk reactions that lose money
5. Brokers know a lot more about a stock than what appears on a news feed
6. Brokers advise when to buy and when to sell
7. Brokers hope to nourish a long-term relationship with their clients

*Excerpted from article written by Rob Carrick @ [www.globetechnology.com](http://www.globetechnology.com)*

### Accountant:

1. Tax planning and tax minimization strategies
2. Peace of mind
3. Independent verification
4. Objective business advice
5. Time savings

*Excerpted from article @ [www.ismac.demon.co.uk](http://www.ismac.demon.co.uk)*

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