

Educational Series

Do I really need a financial adviser?



Money talks, they say. And for most of us it creates quite a racket. Interest rates, market movements, fund performance, tax implications, superannuation rules – there's a lot to listen to and think about. Getting professional help can make it easier and you don't need a fortune.

Why would I go to a financial adviser?

People go to financial advisers because they don't have the time, knowledge or self-motivation to do it themselves (let's face it, most of us have more interesting things to do with our free time). And keeping up with constant changes in laws and regulations about tax and superannuation, as well as understanding market movements and the track records of various investments can be a bit of a minefield. Most people just don't have the time or patience to be across all these issues, but it's something financial advisers do every day.

At the same time, that doesn't mean you hand over total control to your adviser. You need to be comfortable with any advice your adviser provides.

So how does it work?

At the first meeting (often free) you'll probably just go over some basics. The adviser may try and establish how much money you have now, where it is (and isn't) and what your plans are for the short, medium and long term. They should also clearly explain what they offer and how they charge.

They may also go through some simple financial strategies, including some you may not have thought of. You should ask questions at this meeting and decide for yourself whether you feel comfortable with this financial adviser.

Would you be happy for them to manage your affairs?

If you decide to go ahead, the financial adviser will then develop a strategy, a plan and investment recommendations together with a statement of advice. This may take several meetings.

Once you're happy with the plan the financial adviser can place the investments on your behalf. You should then agree when you will next review your portfolio. (At least once a year is recommended.)



How financial advisers can help

- Retirement planning.
- Investment planning.
- Tax-effective investing.
- Planning for business owners.
- Insurance.
- Estate planning.
- Centrelink benefits.
- Cash management and budgeting.

How much does a financial adviser cost?

Whatever the costs, it is a legal requirement that the financial adviser explains what and how much they charge and what you get in return. Generally, how much an adviser charges will depend on how complex the plan needs to be and how much money you have to invest. These charges are usually made through upfront commissions or a fee for service. There may also be an ongoing fee – sometimes a combination of commissions and service fees. This usually includes a yearly review of your investments.

There's also a cost associated with not doing anything – how much could you lose through bad decisions if you don't get professional advice? You need to weigh up the pros and cons and then make your decision.

	Cost	How it is paid
Initial plan fee	Varies depending on the services provided. Could be \$500-\$2,500 plus.	Fee for service: \$100-\$400 (per hour or flat fee) and/or % of total being invested (usually as an entry fee when investments are placed).
Ongoing management fee	Varies depending on the services provided.	Fee for service: \$100-\$400 (per hour or flat fee) and/or % of total, some of which can come out of trail commissions paid by fund managers.

How do I find one?

The Financial Planning Association has a section on their website 'Find an Adviser' where you can search for an adviser in your postcode area. They also have a very useful booklet called 'Getting Advice' which provides some useful information and a checklist of questions you can ask your potential adviser. You can download this and other booklets by visiting www.fpa.asn.au or call them on **1800 337 301**.

Many financial planning companies offer a free initial appointment where you get to ask whatever questions you like and decide if you want to use them. So make the most of it. Go and see a number of advisers and ask them all the same questions and see if you like the answers they give. Treat it like an audition (theirs, not yours).

Tips when talking with a financial adviser

- When comparing advisers ensure you're comparing like with like – some advisers may charge more, but offer a more comprehensive service.
- Have a checklist of questions to ask.
- Discuss fees and charges upfront.
- Get a copy of the FPA's booklet *Getting Advice*.
- Shop around – check out several advisers before you make a decision.
- Weigh up the cost of **not** using professional advice.
- Check out the ASIC and FPA websites for more tips and information www.fpa.asn.au and www.asic.gov.au/fido.

Want to find out more?

If you would like more information about finding a financial adviser to suit your needs, contact the Financial Planning Association on 1800 626 393, call us on 1300 360 645 or visit our website at colonialfirststate.com.au.

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