

How to know your adviser's limitations

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A good financial planner can offer many services. But it's important to understand what planners are not able to offer. Few are investment specialists whose chief focus is to watch financial markets to the extent it allows them to have an informed view of which stocks are likely to outperform others. Mostly that is the domain of stockbrokers.

Not all planners are estate planning experts either. They should be acutely aware of the importance of estate planning but it is a good solicitor who will help sort out who gets what when, and draw up the necessary documentation.

Tax issues might be linked to many financial planning matters but under existing law, planners aren't supposed to give tax advice – that's the domain of a licensed tax agent (although planners will need to beef up their qualifications under pending reforms).

The nitty gritty

So what does a decent planner offer?

In a report prepared by CoreData-brandmanagement for the Association of Financial Advisers, the main roles of the financial adviser are identified. They are the provision of strategic and tactical advice, as well as implementation.

The strategic role involves guiding clients through the changes they face throughout their lives, and helping them to make the big life decisions.

The tactical role provides expertise on insurance, investments and super and puts in place a plan that is suited to the individual's needs.

Implementation

Then an adviser helps turn best-laid plans into action.

So a good adviser should implement the financial plan that's been put in place, make necessary adjustments along the way and keep clients on track to reaching their goals.

According to the research, topping the perceived benefits of using a professional adviser – beyond providing product and strategy solutions – are: being helped to make the big decisions, convenience of consolidating finances/planning, providing peace of mind, administration of financial affairs and facilitating a path to financial freedom.

It is not until you have an adviser that you really become aware of these other benefits, the research found.

On track but worried

Another recent survey by Investment Trends shows that people who do get financial advice are more likely to be on track to meet their retirement goals. But they are also likely to worry more about their financial situation.

Investment Trends chief operating officer Tim Cobb says that based on the results drawn from the report, people who use advisers after retirement are less likely to worry about the cost of essentials but more likely to worry about markets and [the risk they will run out of cash before they die](#).

According to the report, half of the respondents who use a financial planner say they are definitely or pretty much on track to reach their retirement goals compared with a third of those who don't use financial advisers.



The right financial planner will help eliminate obstacles to achieving your financial goals. **Rob Homer**

Key points

- A good adviser should implement the financial plan that's been put in place, make necessary adjustments along the way and keep clients on track to reaching their goals
- Tax issues might be linked to many financial planning matters but, under existing law, planners aren't supposed to give tax advice
- Look for is continuity of advice and service – or be prepared to change planners if they retire before you or at the same time as you
- Good advisers help investors think about what they are capable of achieving financially and where they want to get to – then develop an approach that brings the two together.

Staying the course

Phil Gallagher, head of wealth management at Equity Trustees, says the need for financial planning is lifelong and is likely to increase as you get older, so one of the things to look for is continuity of advice and service – or be prepared to change planners if they retire before you, or when you do.

Galagher says new clients may be disappointed in early meetings with a financial planner as they are hoping for a magic formula that will quickly boost their savings.

“Deep down they may be hoping for suggested investments . . . where they can get in at the ground floor and earn fantastic returns,” he says.

“Such returns simply don’t exist and investors should stay away from any adviser that even remotely hints that this is what they can give them. These are the advisers likely to get them into trouble.”

He argues advisers should suggest a balanced portfolio of investments according to an agreed investment strategy for [long-term growth](#) and capital protection.

A useful role

“What good advisers do is help investors think about what they are capable of achieving financially, where they want to get to, and develop an approach that brings the two together, which includes investment recommendations.”

They also help bring discipline to clients’ savings patterns, turning savings into investments, protecting their wealth and financial interests and, when appropriate, those of their family, he says.

Elixir Consulting director Sue Viskovic says the value-add from a financial adviser comes through their coaching skills and knowledge of legislative and tax changes.

“It’s about helping people set targets and then being able to keep clients on track and making sure plans get implemented,” she says.

“Also that the plans are revisited to make sure they take advantage of any opportunities they have to build on their wealth, regardless of what investment markets are doing.”

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