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New and improved deals on financial advice to be introduced this year will only apply to new customers so if you already use a financial adviser, make sure you're not paying too much.

New financial advice laws are set to make their way through Federal Parliament this year. They will ban commissions and other forms of payment for advice that could cause the adviser to give conflicted advice, such as payments for pushing a certain volume of business into a particular [investment](#) product.

Advisers will also be legally required to act in the best interests of their clients.

It's all great news but some of the rules will only apply to new clients so if you have an existing relationship with a financial adviser, make sure you're not paying too much for advice.

Once the new laws are in place, advisers will be required to regularly renegotiate their relationship with each and every client. This will give all consumers of financial advice the opportunity to make sure they're completely happy with the service they're receiving for the fees they pay.

In the meantime, there's nothing stopping you from asking your financial adviser to give you a complete update on the status of your relationship, including how your investments are performing, the strategies you have in place and how much the relationship is costing you each year.

Here are the two key issues you could address in such a review:

1. Are you still receiving commissions?

According to Investment Trends, around 43% of financial advisers have already stopped receiving commissions from investment product providers. That percentage is higher with members of the FPA.

Such advisers are paid on a fee-for-service basis which can be calculated in several ways. One way is to charge by the hour. Other options include charging a percentage of the size of your portfolio each year.

Either way, a direct payment arrangement between you and the adviser is a much more transparent way to pay for advice than commissions. Direct payment for advice also removes the possibility that an adviser will choose an investment because it is paying a higher commission than an alternative product that may be just as good or an even better option for you.

Also ask about trail commissions. These are an ongoing percentage payment received by planners for each year you are an investor in a product they've sold you.

Trail commissions have been particularly common when you've been signed up to a super fund recommended by your employer. In such instances you may not even be aware that you have a relationship with a financial adviser and the level of service and care you actually get from that relationship can be very low, or non-existent.

If your adviser is receiving trail commissions on your behalf make sure you are getting a reasonable amount of ongoing advice and service for the level of payment they are receiving. It can be difficult to change these relationships without changing super funds or risking paying higher fees on your current super. They will be outlawed when the FoFA reforms are introduced.

Finally, be wary of financial advisers who seem to be pushing you into unnecessary high amounts of life insurance and related products. Such insurance, including term life, total and permanent disability, income protection and trauma insurance will still be able to pay commissions to advisers once the new laws are introduced. As a result such products are finding renewed favour with some advisers.

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2. How much am I paying per year and what level of service am I receiving?

There's certainly a gap between what investors think they should have to pay for advice and what advisers think they need to charge to ensure they don't go broke. The last lot of research done on this topic showed that consumers thought they should have to pay about \$300 for a financial plan and advisers thought they needed to charge anywhere from \$1500 and \$2700.

The general consensus seems to be that you should not have to pay much more than 1% of the value of your investments per year to receive a decent level of financial advice. That \$200 on a \$20,000 [investment](#) and \$2,000 per year if your portfolio is worth \$200,000.

The price of advice will also be dependent on how complex your investments are. If you have, for example, multiple businesses, properties, a family trust and a self-managed super fund, with an extensive portfolio of direct shares. You'll be a much more time-consuming client than someone who has a small share portfolio, their home and a single super fund.

The key to ensuring you pay the right amount is to negotiate and know exactly what you are paying for so don't be afraid to negotiate and ask for regular reviews.

-- By Jackie Pearson

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