How to choose a financial planner

And get the most out of the relationship

FPA
FINANCIAL PLANNING ASSOCIATION OF AUSTRALIA

Choosing a financial planner can often seem the hardest step in getting professional financial advice.

Consumer research[1] tells us that nine out of ten Australians who have used a financial planner have benefited from the experience. For all those who have experienced the value of advice, many more are in need of professional advice and have never used a financial planner. It may be that they simply don't know how to set about it; or perhaps they remain unconvinced of the benefits.

Finding the right financial planner and knowing how to get the most out of the relationship can make all the difference to your financial wellbeing and peace of mind. It's worth investing some time to get it right.

Here are some tips to help you along the way.

1 *Consumer Attitudes to Financial Planning* study conducted for the FPA by Galaxy Research, April 2007.

Starting out – getting some names together

Choose a committed financial planning professional who is a member of the FPA

Generally, all practising financial planners must hold an Australian Financial Services Licence issued by the Australian Securities and Investments Commission (ASIC), or be an authorised representative of a licensee. It's sensible to look for one who is also a member of a professional association. The Financial Planning Association (FPA) is the peak body for financial planning in Australia.

TIP

Check that your financial planner is licensed and is a member of the FPA – it's a 'badge' of ethical practice and professionalism.

All FPA practitioner members are committed to a code of ethics and high professional standards, over and above that required to comply with the law. FPA membership carries education and experience requirements. Members must comply with practice standards and continue their professional education. They are held accountable through a rigorous complaints and discipline system.

Talk to a CFP® professional[2]

The CFP Mark is awarded to individuals who have gone beyond the competency, ethics and professional practice standards required of other FPA practitioner members. Each year CFP professionals must renew their right to use the CFP Mark.

While all FPA practitioner members work to high ethical and professional standards, if you have complex and wide-ranging financial needs you might prefer to seek advice from a CFP professional.

TIP

Look for a planner who is a CFP professional – it's the global symbol of excellence in financial planning.

Use the FPA's Find a Planner service at www.fpa.asn.au

This online service helps you find FPA members in your local area. It provides contact details for over 5,500 CFP professionals across Australia.

Ask a friend for a referral

Referrals from friends who have had a good experience with a financial planner can be the best and easiest way to find a professional to suit your needs. FPA research shows that over half of those who use a financial planner are referred by a friend or relation.

Do some background reading

If you feel you need to know a bit more, the FPA website **(www.fpa.asn.au)** is a good place to look. You'll find helpful information, including the *Good Advice is Money Well Spent Case Study* booklet, a compilation of real life client stories showing the benefits of professional advice, and *Getting Advice*, a practical guide to finding the right financial planner. The ASIC consumer website **(www.fido.gov.au)** is also a good source.

2 CFP® and CERTIFIED FINANCIAL PLANNER™ are certification marks owned outside the U.S. by the Financial Planning Standards Board Ltd. Financial Planning Association of Australia Limited is the marks licensing authority for the CFP Marks in Australia, through agreement with FPSB.

Before and at your first meeting

Once you have a list of financial planners who may suit your needs and location, we suggest you make a few calls to narrow the options and arrange to meet at least a couple. When asking to meet, it's a good idea to say that you will talk to more than one financial planner before making your decision. Most will welcome the opportunity to meet you on this basis.

Thinking about what you want

Prepare for your first appointment by making notes on your financial goals and what you want from your planner. You don't need to go into too much detail at the first meeting but once you have chosen your financial planner you will need to give details such as your income, debts, what you own and your future financial expectations.

Ask questions!

Use the meeting(s) to find out as much as you can so that you can make an informed decision. Ask as many questions as you think are relevant. We've put together some questions you can use as a starting point. Don't forget to make a note of the answers, so that you can look back and compare them later.

Look for someone you can trust

You will share a lot of confidential information with your planner and need to be able to take him or her completely into your confidence. Your financial planner should be open, well-informed, professional and a good listener.

TIP

There are no shortcuts to wealth – good advice requires patient adherence and long term thinking.

Questions to kick off with

The introductory meeting is your opportunity to gather the information you'll need to choose your financial planner, and to make sure you can get on together. Here are some questions that may help and some points to help you assess the responses.

1. Would you tell me something about your own background and how long you have been a financial planner?

A good rule of thumb is the more experience the better. If the planner has less than two years' experience, ask if someone else within the business would review the advice being provided. Good financial planning businesses will have in place a process for the independent assessment of the quality of advice, by peer review or a third party. All CFP professionals have at least three years' approved practitioner experience including at least one year as an authorised representative of an Australian Financial Services Licensee[3].

2. What are your areas of specialisation and what kinds of clients do you mostly see?

Some planners specialise in areas such as retirement planning, high net worth planning, or risk insurance. It's best to choose a financial planner whose area(s) of specialisation match your needs. Look for someone who regularly advises people with similar concerns in areas such as taxation, superannuation, or social security. Even the best financial planners may not be expert in all technical areas, and may sometimes refer part of the development or implementation of the plan to a specialist; you might ask about this.

3 An Australian Financial Services Licensee (AFSL) is an organisation or individual who is licensed by the Australian Securities & Investments Commission (ASIC) to provide personal financial advice.

3. Who is the ultimate owner of your business?

Ownership of a financial planner's business may influence the services and products you are offered. Many financial planning businesses are owned by major financial institutions like banks, fund managers and life insurance companies that supply the financial products recommended by the financial planner. The financial planner must make sure you are aware of the association and any potential conflict of interest if he or she recommends in-house products.

Sometimes a financial planning business operates under a different name from the company it is owned by or associated with. The financial planner should explain if this is so, and you will also find details in the Financial Services Guide (FSG). You will be given an FSG at or prior to your first appointment.

Other financial planners operate under their own licence and are independent of any product manufacturer. They are free to choose products from any source and may or may not take payments from any product manufacturer.

Some people would rather depend on the reputation and strength of a large institution; others are more comfortable with an independent operator. It's a question of your preference.

TIP

FPA members put their clients first.

4. May I have a copy of your Financial Services Guide (FSG)?

A financial planner is generally required by law to give a client an up to date FSG before providing any financial advice. If you haven't been given a copy before the end of the meeting, make sure to ask for it. The FSG is a key document at this stage of the selection process as it explains the nature of the services being offered, the fees and/or commissions charged including any associations or relationships the financial planner may have that would reasonably be expected to influence the advice given, and how the person providing the service deals with customer complaints.

5. How do you charge for your services?

At the first meeting, the planner should be able to give you an estimate of the cost of advice based on the scope of your needs. At the same time your options for paying should be clearly explained. The charges may be based on the time spent or hourly rate, on the package of services agreed, or calculated as a percentage of your invested assets.

Sometimes the planner is paid not by you the client but by the product provider, in the form of a commission that is calculated as a percentage of assets or insurance premium. If you are told that the advice is provided 'free' or at a discount, it may be that the planner's costs are paid by a product provider, for example, a super fund.

Once a financial plan is agreed, the planner has a legal obligation to let you know all the costs and sources of potential income arising from the plan, including if payments are received from the providers of any products recommended to you.

Clear disclosure of costs and any potential bias is an obligation for all professional financial planners and you have a right to have them explained in a way you can easily understand.

TIP

If you don't understand, ask and don't sign!

6. How will I know exactly what services you will provide?

Before providing financial planning advice, you and your financial planner should discuss your needs and your planner should then confirm this in writing – either within the Statement of Advice or in a separate letter. You should be asked to formally sign the document, to indicate your agreement on the services to be offered, as well as other matters.

Paying for advice: what to look for

Initial service fee

This is the cost of strategic financial planning advice and often includes the implementation of the strategy and any product recommendations. Some financial planners will charge a fee for strategic advice and a separate fee for implementing the strategy and product recommendations.

The fee for advice should be agreed between you and your financial planner and be quite separate from the cost of any product. Your agreement should allow you to vary or stop the fee if you wish.

Ongoing service fee

The fee for ongoing service should be separate from the initial service, and subject to the same negotiation, variation and termination.

Who pays?

Both initial and ongoing financial advice fees are best paid by you (or from a product you buy) and you should be able to discuss, negotiate and agree to the cost of the advice with your financial planner.

Should you progress discussions to the point that you are receiving advice that involves a product, all fees will be set out in a Statement of Advice (this is explained later) which is prepared for you by your financial planner.

Check out your fees for best practice

Here are some questions to ask yourself to ensure you really do understand the costs of the advice:

- Do you understand what you are paying and how?
- Are financial planning advice fees clearly separated from product costs?
- Have you and your planner agreed to the fees?

Working with your chosen financial planner

Written advice

By law, the financial planner must provide you with a written Statement of Advice (SoA) if personal financial advice[4] is given. The SoA should include:

- The recommendations provided to you
- The information on which the advice is based
- How much they will be paid (both by you and, if applicable, the product provider)
- Details of any interests, associations or relationships that could influence the advice/recommendations
- Any other information that you would reasonably require in deciding whether to act on the advice given.

Questions to ask yourself

- Does the SoA show a full understanding of my financial objectives?
- Has it taken account of my individual financial circumstances?
- Do I feel comfortable with the level of risk associated with the recommended investment strategies and products? Does the SoA offer alternatives to risky strategies?
- Is the document written clearly and concisely, so that I have no doubt as to what it means?
- Does the SoA explain the scope of the advice being given?
- Is it easy to compare one product with another and explain why the recommended one is best for my needs?
- Are there any mistakes or omissions in the SoA, based on the information I provided and the goals I set?

TIP

Your Statement of Advice should be concise, clear and easy to understand, not long and technical.

4 'Personal' financial advice takes account of your objectives and financial situation to recommend strategies and products to suit individual needs and goals. 'General' financial advice is information on financial products that helps you make decisions about financial products but does not take your personal circumstances into account.

Defining and paying for ongoing service

The scope and cost of ongoing financial services should be defined and agreed with you in advance. Ongoing advice fees should be paid for by you, directly or from a financial product in which you are invested. You should be able to vary or stop payments if you no longer want the service.

If you want to be able to access continuing advice but are not currently doing so, tell your financial planner who will discuss the scope of services and the cost of providing them.

Questions to ask yourself

- Am I paying for but not receiving ongoing financial advice or service?
- Do I understand what I'm paying and how?
- Have I checked that I can stop payments if I no longer wish to receive advice?

Review of advice

If you are paying for ongoing financial advice you have a right to expect a value-for-money service. The level of service you receive should be agreed between yourself and your planner and may include keeping you informed of any changes in economic conditions, regulations or tax regime that could have an impact on your financial plan. Your planner may call you and you should feel free to call him/her if you have anything on your mind.

Your financial plan should be more formally reviewed at regular intervals (at least once a year) to reflect any change in your financial goals and life circumstances, as agreed with your financial planner.

Questions to ask yourself

- How often can I expect a formal review of my financial plan?
- When did I last have a review?
- How often do I expect to hear from my financial planner?

TIP

The principles of sound investment are diversification, risk tolerance, a long term strategy and clear exit route.

Disclosure of associations, interests and relationships

Your assessment of the strategic advice and product recommendations made to you requires you to know if your financial planner is conflicted in any way. For example, if your planner receives financial or other advantage as a result of recommending a given product, you need to be aware of that.

The FPA and financial services law requires members to be open and transparent with clients. They must avoid some potential conflicts entirely; and manage other conflicts of interest so that the client is not disadvantaged.

Questions to ask yourself

- Has my financial planner made me aware of any associations that might influence recommendations on what products to buy?

If something goes wrong

Your financial planner should be your first port of call if you are unhappy about any aspect of the service and advice you are receiving.

Every financial planning business must by law have an internal complaints procedure (which is set out in the Financial Services Guide). If you remain dissatisfied there are several options open to you.

Financial Planning Association

Freecall: **1300 626 393**
Website: **www.fpa.asn.au**

If your financial planner is a member of the FPA, you can contact us to discuss the quality of service provided or the planner's conduct.

Australian Securities and Investment Commission

Phone: **1300 300 630**
Email: **infoline@asic.gov.au**
Website: **www.fido.gov.au**

Contact ASIC for free financial tips and safety checks, and for help with suspected inadequate, misleading or deceptive information or misconduct, fraud or dishonesty.

Financial Ombudsman Service

Phone: **1300 780 808**
Website: **www.fos.org.au**

Contact FOS if you have a complaint about a financial planner, but only after you have tried to sort things out through a formal complaint to the financial planner's business. The Financial Industry Complaints Service (FICS) is a part of FOS.

Contact us

Financial Planning Association of Australia Limited

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75 Castlereagh Street
Sydney NSW 2000

Phone: **02 9220 4500**
Fax: **02 9220 4580**

Suite 8.02
Aqua Vista Building
401 Docklands Drive
Docklands VIC 3008

Phone: **03 9627 5200**
Fax: **03 9627 5280**

Member freecall: **1300 337 301**
Consumer freecall: **1300 626 393**
fpa@fpa.asn.au

For more information or to find a planner visit **www.goodadvice.com.au**

You can find out more about financial advice by contacting the Financial Planning Association on **1300 626 393** or visiting the website at **www.fpa.asn.au**

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