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6 REVEALING TRUTHS

YOU NEED TO KNOW BEFORE YOU PAY FOR FINANCIAL ADVICE

WealthSeekers
Family Financial Planning

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With over 16 years of investment experience and having provided financial advice since 2014, I've worked within some of Australia's busiest and most successful non-bank aligned financial services firms. I've sat with hundreds of families and professionals, and I've provided advice and financial strategies on hundreds of millions of dollars of superannuation and personal savings. I've advised medical professionals, engineers, c-level professionals, business owners and many regular Australian families, all of whom are driven to make the most of their finances. Since joining the industry, I have come to realise that there are certain revealing truths you should know before you pay for financial advice.

Taking the time to learn what you should be looking for will enable you to find an advice provider that is the best fit for your personality, lifestyle, financial aspirations and investment capacity. Knowing these truths will set you up for vastly greater financial success in your pursuit to make the most of your income earning years to create wealth.

1. You need to be satisfied the advisor 'gets' you

It is important that your advisor 'gets' you and 'gets' the journey you are on. Not only does this require the advisor to have knowledge and experience relevant to your circumstances, but it also requires a degree of insight that only comes from working with like-minded clients on a day-to-day basis who share similar challenges and aspirations as you do.

In my experience, an essential ingredient to financial success is having clarity around what you want to achieve and a plan in place to get there...and I'm not just talking about financial improvement, but also the lifestyle improvement you want to achieve.

Realising these improvements is as much about the optimisation of your financial affairs and decision-making as it is about creating wealth. Everything to do with your finances should contribute to improving your overall quality of life through improved confidence and certainty around money. Get it right and you can live a richer and more fulfilling life, secure in the knowledge that your finances will keep pace.

A broad application of financial concepts and theories will only deliver a mediocre outcome. Optimal results are achieved when an advisor understands the personal as well as the financial side to your aspirations and can provide you with a tailored solution which aligns both. Unless your advisor 'gets' you and the journey you are on, their ability to help you achieve real financial change is limited.

2. You need to know where the real value in advice is created

An increase in your investment returns can directly increase your personal wealth. Importantly, so can an equivalent saving in investments costs.

According to Core Data research, up to 80% of overall wealth gains are achieved via financial strategies and structures. A further 18% is achieved from asset class selection which leaves only a 2% contribution to be made from individual investment product selection.

To get the best results from your financial advice, it should be properly integrated with the other critical elements of your finances. That's why we believe that an Integrated Approach is the future of financial advice.

Through proper structuring, it is possible to achieve incremental improvements across multiple areas of your finances to increase your net wealth and leave you less reliant on investment performance to drive your wealth creation. These areas include:

- ✓ Tax Savings
- ✓ Interest Savings
- ✓ Fee Savings
- ✓ Net Investment Return
- ✓ Risk Minimisation
- ✓ Equity Utilisation

Coupled with sophisticated cash flow modelling and financial analysis to evaluate the optimal financial outcome for your specific situation.

Connecting these areas not only makes your finances easier and less expensive to manage, but the compound effect of integrating multiple wealth creation strategies can be quite significant, with very few people whose financial positions can't be significantly improved by the process.

While integrated advice is an effective way of achieving substantial financial benefits and efficiencies, it is very unlikely that a bank or an institutionally aligned financial advice provider will extend the scope of their advice beyond managed investments or insurance recommendations. In effect, this leaves the majority of the benefit that comes from receiving financial advice to fall by the wayside.

If you were to find yourself sitting across the desk from a bank-aligned advisor, it is highly likely that the full suite of wealth creation strategies which can contribute significant benefit to your financial position would be ignored.

This leaves you the challenge, cost and inconvenience of sourcing multiple professional service providers to investigate and integrate these incremental improvements into your strategy so that you can achieve the same cumulative long-term financial benefits.

3. You need to be certain that, once you've paid your money, you and your information won't be handed off to someone else

It is worth asking who will be doing the work; who will be overseeing it; who will be your main point of contact; and who will be your advisor?

There is a heavy push in the financial services industry towards outsourced options which can see your financial information being sent offshore. Not only can this practice increase the risk of your personal information being compromised, but it is also fundamentally flawed as it is virtually impossible to relay the personal subtleties that make for a truly personalised plan to a third-party contractor via email or Skype.

I sit with clients all the time and I am heavily involved in the development and implementation of their financial plans from start to finish. You might find it surprising, but this is just not the case throughout the industry.

Frustrations can also mount when you have found an advisor you've gotten to know, like and trust, only to learn that, once you become a client, you will be working with a different advisor or you are required to direct all correspondence to a support team who treat you with the same level of familiarity as a telco, bank or electricity provider.

Many advice firms find it easier to scale their business this way with their best advisor doing the front-end sales work, and then handing off the ongoing responsibility to junior staff members once you're on board.

4. You need to be confident that the promise of tailored advice is not a cookie-cutter approach in disguise

Increasing your return on investment and taking advantage of the many structural opportunities to achieve savings in tax, interest repayments, product fees, professional fees and risk management takes work.

Extensive knowledge and in-depth experience is needed to piece together multiple professional advice areas in a cohesive and financially beneficial way. It also requires an advisor to work closely with a client to thoroughly understand their specific financial situation and to effectively coordinate the service deliverables that make up the strategic plan.

This approach is akin to your advisor helping you run your personal finances like a well-oiled machine – optimising the sequence of complementary transactions to maximise your earning opportunities, minimise tax and create a flexible structure for investment now and into the future. As part of this process, it is critical for an advisor to remain in close contact with a client to optimise superannuation contributions, tax deductible expenses, earnings opportunities and cash flow management for major expenditures.

This hands-on approach is avoided by many advice firms in favour of a more uniform, cookie-cutter method of providing financial advice. They do this because it requires less time and resources to be devoted to you and the provision of your advice, and a lower level of competence and experience for their team to manage your plan.

For an advice firm, maintaining a limited product list, opting for fewer financial structures and advising on more costly platforms all contribute to making it easier for the advice provider to administer your finances.

This type of approach ultimately serves to rob you of the benefits and potential returns that tailored advice, broader product choice, greater structural options and more cost-effective platforms can deliver.

5. You need to know what advice is being provided to you and the benefits you'll receive before you pay your money

Good advice should provide you with peace of mind and ultimate control over financial decisions which, ironically, is exactly what you are stripped of the moment an advisor asks you to pay your money before you receive any advice.

An advisor who is willing to stand behind the quality of their advice will prioritise sharing information with you to help you make an informed decision before requiring a financial commitment from you. Not only does this instil confidence in the advice process, but it also puts you firmly in control of the decision-making.

Unless an advisor takes the time at the beginning to educate and inform you about the reasons for providing certain types of advice, it can be very difficult for you to become comfortable with any financial strategies that you're unfamiliar with, even though they may provide you with significant value.

The best-laid plans can quickly come undone if you don't understand the advice, or if you are uncomfortable with the advice, or if you feel pressured by the advice process.

From the very beginning, the advice process should be collaborative, and it should help you to understand how the advice will add value to your life in the context of your personal goals, risk tolerance, time horizon, attitude towards money and current financial position.

In addition, an advisor should outline what fees you will pay and whether there will be any additional costs for preparing your financial plan, implementing the advice, providing ongoing advice or for revisiting the advice in the future if your circumstances change.

For many unsuspecting advice seekers who choose to roll the dice with their advice provider before they fully understand what they're paying for, they run the risk of the advice falling short of their expectations or costing them a lot more than they anticipated.

6. You need to be sure the fees you'll be charged really are cost effective

The harsh reality is that, if you are paying unnecessary and/or excessive fees, you need to earn a higher investment return to achieve the same after-fee investment value (or standard of living in retirement) than you otherwise would with a lower-cost alternative.

I am of the firm belief that, if your financial goals can be achieved with an appropriately structured mix of low-cost investments (potentially at a lower risk weighting), then not only are you getting better value for money, but you are also able to achieve your financial goals with a less risky financial strategy.

At the top of your advisor's priority list should be the desire to put you in a better financial position, net of all taxes, interest charges, professional fees, product fees and platform fees.

This requires an advisor’s fees to be affordable and for your product recommendations and financial structuring to be thoroughly researched and cost effective. The compounding effect of multiple fee savings across your investments over the long-term has the potential to contribute hundreds of thousands of dollars to your net wealth position.

Few advice seekers are aware (or advised) that:

- Ongoing advice fees are avoidable
- Product fees are largely unavoidable, but certainly reducible
- Administration fees can be avoided or reduced
- Platform fees can be avoided or reduced

There will always be a cost attached to good advice; however, if you think paying your financial advisor 1% in ongoing advice fees is not all that much, when stacked on top of product fees, platform fees and administration fees, the total outflow over your investment lifetime will be substantial – click here to see how much https://wealthseekers.com.au/blog/ongoing-financial-advisor-fees/

While advice fees are one area you need to consider before choosing a financial advisor, an advisor's ability to construct your financial plan and make recommendations in a cost-conscious manner should also be a consideration.

A good financial advisor should be open to having a robust discussion around the fees associated with any recommendations or platform changes, in addition to their professional fees.

I hope this helps you on your journey.

Adrian McPhee
Managing Director, Wealth Seekers

P.S. If you have any questions or if you want to discuss ways to increase your personal wealth, email us at hello@wealthseekers.com.au

Note: Information provided in this guide is general in nature and does not take into consideration your personal financial situation. This information has been compiled from sources considered to be reliable but is not guaranteed. It is for educational purposes only and does not constitute formal financial advice. Before acting, you should consider seeking independent personal financial advice that is tailored to your needs.

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