canberra times: q&a

Q 1: I am approaching retirement and would like to get some financial advice but I am concerned that a financial planner will try to get me into a self managed super fund or a managed fund, when I am happy with my current investments. I am in the public service and I salary sacrifice into an AGEST super plan. What do I do?

Withheld, Canberra

A 1: Your concerns about a financial planner "selling" you a managed fund, getting you into a self managed super fund or encouraging you to change away from an existing investment either comes from a poor personal experience, you have heard from someone who has had this kind of experience in the past, or simply some negative press about financial planners over the years. While financial planners are required to provide advice that is in your best interest only, unfortunately some financial planners still have a conflict of interest and may take this approach. The good news is that there are certainly financial planners out there who are structured appropriately to help you at whatever stage and level of advice you need. You just may need to speak with a few planners to find one that will be appropriate for you.

Key things to look out for are 1) to understand whether any conflict of interest exists for the financial planner (such as whether a financial institution has an interest in their business which may encourage the adviser to recommend their product), and 2) to understand how the financial planner charges for their services, to see if it is priced commercially to get the advice you need.

To elaborate on this second point consider this situation:

If you go to see a financial planner who does not charge for the initial appointment, then obviously the financial planner is not receiving any income for the time involved or the advice provided at that appointment. It would make sense then that the adviser will have an incentive to get you to purchase another level of service or product, if that means that they would then receive some kind of income. So with this kind of arrangement you simply need to be aware of perhaps hearing a "slick presentation" or "fear campaign" that may get you to commit to something that you otherwise would not have.

If, on the other hand, you went to see a financial planner who charges for the first appointment to provide you with some general financial advice, then it is clear that the adviser's time is being paid for. If your situation then requires some more advice, whether comprehensive strategic planning with a financial plan, a financial projection or an investment purchase, etc, then you can choose to move to that next service for another fee. It should be clear then that this next fee is to cover the adviser's time, the level of complexity and professional responsibility involved in providing this service.

The adviser who charges fees at each level of service is commercially structured so that there is no incentive to sell a prospective client something just to put food on the table so to speak.

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This kind of adviser can help you understand your situation and how various financial rules apply. They can also help you understand the pros and cons of the different products out there, so any decision to purchase an investment, or change an existing investment, should be yours and should sit comfortably with you.

Phil Thompson is a certified financial planner and authorized representative of Rise Financial Pty Ltd (ABN 86350987645), AFSL 311718, an Approved Financial Planning Association Professional Practice. Answers should be used as a general guide only and professional advice should be sought before making investment decisions.

Send your financial questions to phil@risefinancial.com.au

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