

canberra times: q&a

Q 1: Does a financial planner only look at providing advice on investments and superannuation?

P.L., Isabella Plains

A 1: Traditionally a financial planner did predominantly provide advice on investments and superannuation, but this has certainly changed in the last 15 years. While financial planners still provide investment and superannuation advice, now there is a far greater focus on true financial planning – meaning helping people deliberately plan their life using financial strategies and investments that work for them. A typical financial planning process would be:

- 1) First, helping people understand what they currently have (income, expenses, assets and liabilities, insurances and estate planning tools) and helping people articulate what their financial and lifetime goals are (paying off the mortgage, living comfortably leading up to retirement, paying school fees, funding weddings, cars or holidays, retiring comfortably, or creating wealth using superannuation, savings or negative gearing strategies).
- 2) Next would be helping people understand where they are heading financially with a financial projection, to show whether they are on track to achieving their financial goals.
- 3) From here, a financial plan can be prepared to show how various financial strategies and lifestyle choices are expected to impact upon their situation, and show how people can improve on their expected outcome and protect against some of the risks that they may be exposed to.
- 4) The next step would be where specific strategy and investment product recommendations are made and this is done with a *Statement of Advice*.
- 5) Then, with an ongoing relationship with a financial planner, recommended investments and products can be put in place and your overall financial plans can be put on track and kept on track with regular fine tuning as your personal situation changes and the economic and regulatory environment changes.

This is a comprehensive way of providing financial advice with a deliberate process to make sure that a financial strategy is set specific to a client's needs and objectives, and appropriate investments are put in place to achieve these goals. Most financial planners these days will adopt a similar process.

Some financial advisers do have a focus on providing investment advice specifically and prefer to only manage your investments. However, if you prefer to have strategy advice as well as investment advice, and an understanding of how all of the components of your financial situation are working together knowing that they are all considered, then a comprehensive financial plan prepared by a financial planner would be the most appropriate.

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There are some very good financial planners working in the industry and it is a good idea to find a financial planner you can work with. When choosing a financial planner you can increase your chances of having a good experience by finding one who is a member of the Financial Planning Association and who also is a Certified Financial Planner, which is the highest designation worldwide for financial planning expertise. Also, be aware of whether any conflicts of interest exist for the adviser when it comes to their investment recommendations. An independent financial planner is deliberately structured to have no conflicts of interest.

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