FINFLASH

WHY DO I NEED A FINANCIAL ADVISER?

You need to manage your money. This implies more than just budgeting to get by on a monthly basis or watching expenses (although these too are necessary). You also need to manage your money to fulfil your dreams (or in financial terms 'achieve your investment objectives'). It may not be your priority yet, but this 'money managing' also includes providing you with the means to enjoy a financially stress-free retirement in future.

In order to achieve this objective (fulfilling your dreams) you need a plan.

What does a financial plan take into consideration?

The most important aspect of any financial plan is that it is designed especially with you in mind. It has only your dreams and objectives as its aim. It is definitely not one size fits all.

Compiling a financial plan therefore involves the following:

- Understanding your
  - needs and obligations;
  - objectives or dreams
- Analysing your
  - cash flow;
  - risk-tolerance (taking into consideration your health, age, personal responsibilities, etc);
  - insurance needs;
  - asset allocation;
  - tax burden & tax efficiency;
  - retirement options; and
  - estate-planning (for tax efficiency and to align this with your Will)
- The plan will also involve alternative scenarios with alternative outcomes to illustrate the differences between different options.

What does a good financial planner contribute to the financial planning situation?

A competent financial adviser has

- good communication, interpersonal and listening skills
- the ability to establish ongoing, often life-long relationships with clients
- an ethical and professional approach to work
- discretion and an understanding of the need for client confidentiality
- the capability to understand complex information & explain it simply and clearly
- decision-making skills
- a target-driven mind-set to focus on achieving the client's objectives
- research and analytical skills and access to reliable information
- negotiation and influencing skills as well as determination and tenacity
- sound numeracy and IT skills

People sometimes prefer to manage their money without the help of a financial adviser. However, research has shown that most people lack the time to do the required research and analyses to manage their money on an ongoing basis. In other words, irrespective of whether you have the time to pay attention to your money matters at a specific moment in time, these still need continuous attention.

You must expect to pay a financial adviser for a professional service that requires ongoing time and expertise. The fee paid directly relates to the service involved. In addition, trust, mutual respect and the added value which comes with good advice, are essential components in the relationship between a client and a financial adviser.

What are the fees you pay your adviser?

Four different types of fees may be charged by Finfocus advisers. In most cases only one or two fees are applicable: (1) **upfront (once-off) fee** for designing a financial plan to address your unique situation and (2) **ongoing fee** for continuous close involvement with, monitoring of and advice regarding your personal portfolio and financial plan (3) **hourly consultation fee and service specific fee** (4) **retainer fee**.

(i) Once-off fee

To draft a financial plan requires not only professional and technical knowledge and skills, but is also time-consuming. It also involves the use of sophisticated and expensive software. The fee payable is therefore for the time spent to do a professional and comprehensive assessment of your current portfolio and financial position, as well as your projected situation in future and in event of your death.

(ii) Ongoing fee

This fee is charged for ongoing services and advice. It includes the following, subject to the service level applicable to each client:

Regular meetings with your adviser to:

- adjust or tweak your plan as you enter new stages of your life or as circumstances change;
- assist with decisions regarding which investments to liquidate in the event large or unforeseen expenses;
- advise on investment changes as needed,
- rebalance your portfolio to keep it in line with the original plan;
- monitor and evaluate investments,
- introduce you to new risk and investment products;
- ensure that you contribute the maximum to tax-efficient products as tax laws change; and
- assist with other financial decisions, for example
  - budgeting for children's education or
  - evaluating the pros and cons of buying an investment property
  - restructuring of your life assurance portfolio when products or your circumstances change for most people, especially if they are already busy with their own careers and family interests, having a financial advisor can bring a wealth of benefits.

(iii) Hourly consultation fee and service specific fee

Some people, who have the interest and skills to manage their money themselves, may not need a financial adviser, but they do want to consult with a financial planner from time to time for an opinion. In such cases we charge an hourly consultation fee.

Or clients might sometimes request more services than those covered according to the service level applicable to them. Services and fees are explained in detail in our value proposition and fee structure.

(iv) Retainer fee

Clients can pay a monthly retainer fee to upgrade to a higher service level than the one they qualify for based on the on-going fees generated by their portfolio. Monthly retainer fees are often the ideal solution for younger clients who are in need of regular interaction and advice from their advisers, but who do not have extensive portfolios yet and have to manage their monthly cash flow carefully. To request a value proposition and service level and fee explanation, please send us an email.

What are the benefits of having a good financial adviser?

(i) A good financial adviser is a full-time professional

The good financial adviser is passionate about giving the best possible advice to a client. This adviser is a **full-time professional**, who has been fully trained, who has the knowledge, qualifications and above all, experience, including experience of the challenges posed by different market conditions. It is this experience that the individual trying to manage his/her own investments too often lacks. Apart from all the qualifications that your adviser accumulated over time, your adviser has to keep up with the latest developments in the markets, investment opportunities, taxation, law and regulatory requirements. In addition, your adviser will often have many years of experience during which he/she has seen how specific scenarios or investment opportunities actually play out in the real world.

(ii) A good financial adviser is objective

Lack of objectivity is the single factor behind most bad investment decisions. Worry, fear or panic are not emotions that should affect investment decisions. This is practically impossible if you are emotionally involved with the result of the decision. Your adviser is there to provide objectivity. This can be particularly important when the economy or markets look shaky. After all, picking the right investment vehicle is important, but knowing when to enter or exit the market is just as crucial.

(iii) A good financial adviser knows tax and the tax implications of investments

There is little point to an investment where the tax consequences erode the value of the investment. A good investment return with bad tax consequences could result in a tax burden that depletes your overall personal income and or personal wealth. A good financial adviser will take the possible tax implications into consideration in his/her advice.

Your adviser can also advise on how to reduce your tax burden in general, keeping changes in legislation in mind and product structures that offer long-term growth, as well as tax efficiency.

(iv) A good financial adviser has access to ongoing research

Much of your adviser's time is dedicated to doing research and keeping up to date with market and product developments. Good advisers do research on their own, but will also be aided by other advisers, analysts and experts, all supporting the advisers' own research. Your adviser will maximize his/her knowledge of the industry, markets, law and taxation — so you don't have to.

(v) A good adviser will free up your time

Perhaps one benefit, more than any other provided by a good financial adviser, is helping you relax about your finances. You have more time for yourself because you do not have to try and keep tabs on, or worry about the market, all the time. This is your adviser's job. You will be contacted if anything needs to be discussed. And if you do have any questions or concerns, contact your financial adviser to get the answers.

When you have found the right financial adviser, you can rely on the knowledge of an **investment professional**, who understands and cares about you and your individual situation. Your financial adviser takes care of a wide range of challenges and questions on your behalf – and you can get on with your life.

If you are interested in having a financial adviser draft a financial plan based on your unique circumstances for you contact us.

FINFOCUS
FINANCIAL PLANNERS