Fact sheet

Managing financial advice

It's important to engage in the financial advice process

For many consumers, getting financial advice is essential for ensuring they have enough money to achieve their life goals. Whether the objective is to save for a holiday or to ensure a comfortable and secure retirement, the likelihood of the achievement of these goals is greatly improved if the consumer is actively engaged in the financial advice process.

This fact sheet sets out 10 things consumers can do to better engage in the financial advice process.

What can consumers do to ensure they will get good service from their adviser?

Financial advisers typically offer consumers different levels of service and charge fees for those services. Fees can be charged in different ways and a consumer may choose how they pay the adviser. For example, you can pay the adviser a set fee or you can pay the adviser a fee by reference to the funds under management.

> It is important that you understand how the fees are charged so you are able to compare which fee proposition offers the best deal for you. Ask for how fees are charged in a way that is consistent across providers, and simple to understand. For example ask how the fees would apply to $100 invested and get amounts of fees rather than percentages.

Advisers typically offer:

- Execution services – where the adviser takes your instructions to buy or sell a financial product without giving you any advice
- Advisory services – where the adviser gives you advice taking into account your goals, objectives and financial resources (this is known as "personal advice") or gives you advice without taking into account any of these things (known as "general advice")
- Ongoing review service – where the adviser undertakes periodic reviews (usually annually) of your personal circumstances and investment strategy.

> Ask the adviser to fully and clearly describe the services they can offer and decide which service is best for your needs. If it is ongoing service find out what you are paying, what you are paying for, and how frequently the fees will be charged.

Be realistic about what the adviser can do for you. For example, advisers do not sit in front of the computer monitoring your investments and it is unrealistic to expect that they will.

> Understand who you are dealing with. Advisers have different skills and experience. Consider what you want the adviser to do for you and chose one who has the right skills and the necessary level of experience.

What can consumers do to ensure financial advice is right for them?

There are a number things consumers can do to assist their financial adviser to provide advice that is right for them.

Be realistic about your goals.

You won't be able to earn $50,000 per annum from $300,000 in retirement savings without risking capital losses. You must be prepared to accept advice to:

1. receive less income from your retirement savings
2. retire later than planned
3. put more money towards your retirement savings
4. take on more risk than you would usually take, or
5. do a combination of the above.

An adviser who says these things is doing their job properly. A big part of an adviser's role is as a financial educator and reality checking a client's goals.

Be prepared to provide full and accurate information

Your financial adviser can't give you suitable advice unless you provide all relevant information about your personal financial situation, your goals and objectives. If you give the adviser inaccurate or incomplete information, it is highly likely you will receive advice that is not right for you.

Check the accuracy of the information recorded by the adviser

Advisers usually record information in documents called "Fact Find" or a "Client Data Form" and they rely on this information when preparing financial advice for their client.

You will be asked to sign this document and you should not sign it unless you are certain it accurately reflects the information you gave to the adviser.

Ask the adviser to explain their advice in language you can understand

Products and strategies may be quite complex and it is the adviser's job to explain how the products and strategies will assist in achieving your objectives.

It is important that you understand the advice you are being given or the product you are being invested in. If you do not understand something the adviser is telling you, insist that they explain their advice in language you understand.

Don't be afraid to ask questions if you don't understand what the adviser is saying

Many clients are fearful of looking silly if they ask their adviser questions. However, it is better to feel silly by asking questions and obtain clear answers than looking knowledgeable and looking silly when things go wrong because you agreed to something you didn't understand.

Remember, the adviser is giving you advice about *your* money and ongoing financial wellbeing, so don't be frightened to say *"I don't understand what you are saying, please explain that in different way."*

An adviser who ignores such a request probably is not the right adviser for you.

Make sure the Statement of Advice is consistent with the adviser's explanation of the advice

Advisers are generally required by law to give you a Statement of Advice (SOA) when they provide you with personal financial advice. The SOA is a written record of their advice and must be written so you can understand the advice.

If you do not understand the SOA, then it is likely you will not understand the advice.

Read the SOA carefully. If you don't understand the SOA, or if you think the SOA is not an accurate record of the adviser's explanation of the advice or if the SOA is too lengthy, tell the adviser and ask for it to be re-written so you can understand it and to ensure it is an accurate record of the adviser's explanation of the advice.

Take the time to read any documents the adviser gives to you

Don't sign any documents the same day on which the adviser gives them to you. You should take them home and take time to read them. You should take notes of things you don't understand so that you can ask the adviser to clarify these things for you.

In particular, you should take time to consider the SOA. You don't have to accept the advice set out in the SOA. You will have to pay for the SOA and the advice, so you should be happy with the SOA and the advice before you accept it. You should ensure a second meeting is arranged after you have time to consider the SOA to discuss any questions you might have.

Only agree to advice you understand

If the adviser hasn't been able to clearly explain the advice to you, then you should not accept the advice.

An adviser who is unable to effectively communicate their advice to you is probably not the right adviser for you.

Should consumers keep records of their dealings with their adviser?

Sometimes things can go wrong in the advice process. Consumers who keep complete and accurate records have an advantage over those consumers who do not if things go wrong and they need to lodge a complaint with AFCA.

We rely on information provided by both financial firms and complainants when resolving financial advice complaints. Complainants who keep complete, accurate and contemporaneous records of their dealings with their adviser are better positioned to quickly give us the information we need to fairly resolve their complaint and to get a quicker resolution of their complaint.

Keep copies of all documents given to you by your adviser, take notes of conversations and confirm your understanding of what was said by email to your adviser. Do this at the time or as soon after the meeting as possible. Date and sign the document.