

# How to choose a Financial Adviser

A guide from  
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## Introduction

Choosing the right financial adviser to help you plan your finances for the future is one of the most important things you will do as part of your financial planning. In an ideal world your adviser will work with you over a long period, not just for a one off piece of advice. So it's important to make the right decision from the beginning.



But where do you start? And how do you compare one adviser against another?

Initially I suggest you ask friends and family if they can recommend someone to you. They will hopefully be able to give feedback on the service they received and how happy they were.

Failing that, there are a few websites that specialise in finding an adviser:

<http://www.unbiased.co.uk/>

<http://www.vouchedfor.co.uk/>

You need to choose an adviser you feel comfortable with since you will be disclosing a lot of very personal information. Your adviser needs to know all this in order to be able to give the advice you require. Someone who doesn't fully understand your situation, circumstances and objectives cannot advise you properly.

Therefore during an initial meeting with your adviser pay particular attention to the questions they ask you. Are they asking a lot of questions specific to you, and are they interested in **you**: what you think, what you want in the future, what your goals are, what you feel and think about money etc.? Or are their questions more generic?

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This will provide an indication as to whether the advice they give will be really tailored to you and your circumstances, or whether it will be a more generic “one size fits all” approach.

However, it’s not enough just to choose someone because you get on with them. Although this is very important based on the long term relationship, as well as having the right character and personality, you need to satisfy yourself your adviser has the right technical skills for the advice you need.

Below are some suggestions as to questions you can ask to help you determine this.

If you have any questions about anything in this guide, please do get in touch. You can call me on 01932 698150, email [mary@wealth-for-women.co.uk](mailto:mary@wealth-for-women.co.uk)



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## Are you an independent financial adviser?

Your adviser will either be independent or restricted. An independent adviser can offer advice on a full range of investment products from all providers. You will therefore be able to get advice on a product tailored specifically for you needs, priorities and circumstances.

A restricted adviser, on the other hand, will recommend only certain types of investment products or offer advice on products from a limited number of providers. A restricted adviser should always explain the nature of the restriction to you.

## How do you charge and what will the total cost be?

There are a number of different ways an adviser may charge:

- A fixed fee
- An hourly fee
- As a percentage of your funds
- Or a mixture of the above

Ensure you get full details of what fees will be charged and at what stage the fee is chargeable and payable. If the adviser charges an hourly rate aim to get an estimate of how many hours your financial plan will take, or at least an upper limit. Otherwise it is very difficult to budget for what the final cost may be.

If the adviser charges by a fee based on a percentage of funds, is that based just on the funds your adviser manages on your behalf or is it on all your funds?



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As an example, my fees arise at three different stages:

- An **advice fee**. This is a fixed fee chargeable for preparing the advice report. The level of the fee will depend on the complexity and scope of work required. This fee is payable whether or not there is any further work.
- An **implementation fee**. If you require a financial product a fixed fee will be charged to cover the administration involved in preparing the paperwork to set up the necessary policy.
- An **on-going review and forward planning fee**. I provide a forward planning meeting service. We meet at least once a year to review your plans and check your progress against objectives. This is charged at a fixed monthly fee.

If you are comparing the cost of one adviser against another ensure you look at the fees in total rather than just one element. Be aware that some advisers charge very little (or sometimes no) advice fee but then charge a significant implementation fee. Are you comfortable with this? Are you happy that the adviser only gets paid if you purchase a product based on their advice?

Your adviser must always be willing to clearly explain all their fees. You should always understand exactly what your financial adviser is charging at each stage of their service and exactly what you are getting in return. Ask for an engagement letter describing the fees in detail before agreeing to your adviser commencing any chargeable work on your behalf.

## What are your qualifications?

In order to provide regulated financial advice in the UK, a financial adviser must hold an approved qualification covering a number of financial planning subjects. Qualifications are generally from two main professional bodies: Chartered Insurance Institute (CII) and Institute of Financial Planning (IFP).



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Advisers must hold a minimum qualification, subscribe to a code of ethics and keep up to date with technical issues through continuing professional development (CPD).

From 1<sup>st</sup> January 2013, the minimum professional qualification level for all financial advisers (including restricted advisers) is Level 4 Diploma qualification. This is the equivalent of a degree.

If you wish to ensure that your financial adviser has demonstrated a higher level of technical competence, the qualifications to look for are the Chartered Financial Planner qualification from the CII or Certified Financial Planner (CFP) qualification from IFP. These are deemed to be Level 6 qualification and represent a far more robust assessment of technical knowledge and understanding and practical application of financial planning skills.

In addition, each adviser must have a current “Statement of Professional Standing” (SPS) issued by an FCA accredited body. The SPS indicates they have signed up to a code of ethics and completed at least 35 hours of professional training each year. SPS certificates are renewed annually.

### What are your areas of expertise?

Most financial advisers will have a very broad range of knowledge, enabling them to provide advice across various subject areas to help with general financial planning.

However, dependent on your needs and circumstances you may prefer to speak to an adviser who is a specialist in the area where you need advice. Some aspects of financial advice are far more complex than others. Whilst most financial advisers will have some knowledge of an area, an adviser who is a specialist will have a much deeper knowledge and understanding of the issues that arise.



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Ask the adviser for examples of situations where they have helped clients with similar situations or objectives to you. You could ask typically who their ideal client is and what they are trying to achieve. Listen out for people with concerns and goals similar to yours. How similar is this client to you in terms of age, stage of life, circumstances, asset level etc.? In an ideal world, you want to find someone who has experience of working with someone like you.

Ask for details of a case study or testimonials from a client in a similar situation. It would also be useful to ask if any existing clients would be willing to speak to you, to provide feedback.

See whether your IFA is prepared to liaise with your solicitor and your accountant if this is something that's important to you. It will often be useful for your IFA and solicitor or accountant to work closely together. This also avoids you having to pass on queries and comments from one party to another with the risk that you may misinterpret something that is said.

### What makes your client experience unique?

This is an interesting question to ask to see whether the adviser does believe they are offering a service that sets them apart from other advisers. If you asked the adviser "Why should I work with you?" you would expect them to be able to answer this.

If your adviser can't answer this question, do consider whether they are the right adviser for you.

At this stage I'd also suggest you ask the adviser to explain a financial planning concept to you.



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What's important is to see whether you can understand their explanation. Can they speak to you in down to earth language that you can understand? Or is their explanation too full of jargon so that you are more confused after the discussion?

You need someone who can explain financial concepts in a language you can understand. No matter how technically brilliant they may be, if they can't explain things to you in a down to earth manner, your financial plan may be technically perfect, but of limited practical use.

### **Do you provide an-going review service, after the initial advice?**

Since goals and objectives change over time, it is important to keep your financial plans under regular review. All investments should be reviewed at least annually. This means subjecting your plans to a formal review process and meeting with the adviser to create a plan of action for the year ahead.

Ask your financial adviser at the outset what their on-going review service looks like. Ideally this should include a written report, a face to face meeting and then any agreed follow-up activity completed on your behalf. It is also worth asking them what systems they have in place to ensure this review service is delivered in a consistent and timely fashion.

Consider how much support you will need from your adviser and check this level of support will be available. Discuss whether you have reasonable access to the adviser in between meetings. Do you want this access to be verbal, written or in person? Both parties need to be aware from the beginning of the relationship what the other party's expectations are.



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## Who can I speak to if you are not available?

Whilst you would expect to have a close working relationship with an individual financial adviser, it is important that you have the confidence in the team supporting them. You should know who you can speak to in the event of an emergency when the financial adviser is not available, due to holiday or illness.

A good team structure sees an individual financial adviser working closely with an administrator and a Paraplanner (the person responsible for research and report writing).

These other members of the team should be familiar with your circumstances, easy to contact and available to action requests on your behalf.

You should also find out what plans your financial adviser has for succession in the event of their death or retirement. With the average age of a financial adviser somewhere in the mid-50's, this is an important question if you want to ensure the receipt of a long-term service from the individual and firm you choose to provide advice.

To increase the likelihood that you receive consistently suitable financial advice, look for an adviser working within a team structure where the advice is constructed by consensus before it is presented. This ensures that if your adviser is not available other members of the team will be familiar with the advice you have been given. It ensures consistency of advice within the firm. This is preferable to a situation where an individual financial adviser is responsible for creating their own recommendations, only for their compliance people to check it for suitability at some later date.



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## What is your investment proposition?

Before accepting investment advice from a financial adviser, you should take some time to understand their investment proposition. An increasingly complex world of investments means that a robust investment advice process is crucial for a financial adviser to ensure they consistently deliver suitable advice.

Ask to see three things:

- their investment philosophy,
- their investment advice process and
- their fund selection process.

Financial advisers will have differing views and beliefs when it comes to investment advice. Seek to understand how your financial adviser will approach the provision of investment advice. What research will they do? If you are not familiar with investing you may be unable to compare one approach against another. However, you will want to check that the adviser has a robust process which is followed on a consistent basis.

Consider whether your adviser's aim is to get double digit returns for you, or whether their aim is to invest consistent with your risk tolerance and goals.

If your financial adviser chooses to delegate investment decisions to a Discretionary Fund Manager or Portfolio Management Service, ask about the additional costs involved and ensure you are not paying for investment advice twice; once for the financial adviser and once for the portfolio manager.



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## Can I see your recommendations in writing?

Always ask to see recommendations in writing before taking any recommended action. You should insist on a written report ahead of any meeting. This will give you the opportunity to properly consider what is being recommended and plan your questions in advance for the adviser.

This written report should include with it the specific illustrations and associated key features documents for any policies being recommended. This will give you the chance to consider all of the charges that will be applied to your money and the terms associated with the recommended products.

Receiving these recommendations in writing ahead of a meeting will also give you the chance to seek a second opinion before taking action. You might choose to speak to a close friend, family member or another professional adviser before committing to the recommendations.

No financial adviser should object to you seeking a second opinion before making important financial decisions.

## Where do you appear on the FCA Register?

Regardless of whether your adviser is independent or restricted, a financial adviser must be authorised and regulated by the Financial Conduct Authority (FCA), and approved to offer advice.

You can check the FCA Register online at <http://www.fca.org.uk/register/>



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An individual providing financial advice must be an Approved Person of this firm, and you can search the FSA Register to ensure they are listed.

If the financial adviser is not authorised by the FCA, there is a good chance that you would not benefit from the Financial Services Compensation Scheme (FSCS) in the event of receiving unsuitable advice.

As well as checking the firm is authorised on the register, when you check the individual it will show any disciplinary action against that individual.

### Finally:

Having asked your questions and obtained the answers you should now be in a position to decide which adviser is the most appropriate for your circumstances. Here are some questions to ask yourself:

- Can I imagine forging a long term relationship with this person?
- Has the adviser asked the appropriate questions to ensure they have a good understanding of my circumstances and needs?
- Am I happy with the fee structure?
- Does the adviser have the specialist experience I need?
- Is this person good at explaining things in language I can understand?

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