

FIVE QUESTIONS

TO ASK YOUR FINANCIAL ADVISER

Choosing a financial adviser means choosing someone you can trust to understand you as an individual and help you achieve your long-term financial goals. It is helpful for you to know that financial advisers are required, by law, to meet certain minimum requirements.

Before meeting your financial adviser for the first time, take a few minutes to write down topics of discussion. There are important questions you should ask upfront to understand how your financial adviser works and what you can expect from the relationship. To help you choose the right adviser for you, here are some questions you can ask:

1 | How do you charge your fees?

Financial advisers can charge fees in one of two ways:

- Commission-based fees, where the adviser earns a percentage based on your total investment in a certain product
- Upfront fees, on an hourly basis for the time spent with the adviser.

2 | What process do you follow to determine my needs?

As a first step, a financial adviser should gather information on your current situation, such as disposable income and debt. This is usually followed by:

- A needs analysis that looks at your investment objectives to help you set goals
- Identifying your risk profile or financial personality to see what types of investments you're comfortable with
- Evaluating alternative options for you depending on various factors, such as how long you have to reach your goals
- Creating your plan
- Reviewing and revising your plan.

To start taking responsibility for reaching your savings goals and becoming financially secure, make sure you're fully informed about the approach your financial adviser will take.

3 | Which services do you offer?

Ask what type of advice the financial adviser provides. For example, they may give advice about investments, insurance and healthcare. If they cover all areas, find out what percentage of the advice covers each area. This is to find out if you're dealing with a generalist adviser or a specialist investment or insurance adviser.

It's also important to find out about specialist services, such as tax planning, estate planning and drawing up wills. You may not need all these services straight away, but it's good if your financial adviser has specialists or partners that cover these services if you need them in the future.

4 | How often will we meet and how will you communicate with me?

Before you choose your financial adviser, it's important to determine how often you will meet and who your day-to-day contact will be. Some people want regular interaction with their financial adviser, while others prefer to be kept informed only when major changes occur. Choose an adviser who communicates and works in a way that suits you.

5 | Do you have indemnity insurance?

Nobody engages with a financial adviser expecting a negative outcome, but it's essential to know that you will be covered in a worst-case scenario. Indemnity insurance is mandatory for financial advisers and is especially important if the adviser's business is small and not part of a larger, reputable organisation. It covers a financial adviser against claims resulting from poor judgement or negligence.

Financial advisers are bound by legislation that protects your interests as an investor and governs their conduct and advice. To learn more about this legislation, see:

- The FAIS Act (Financial Advisory and Intermediary Services Act)
- The General Code of Conduct for Authorised Financial Service Providers
- FICA (the Financial Intelligence Centre Act)

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