

MY MONEY ADVICE

Get financial advice in six easy steps

STORY LUKE SMITH



If you've never met with a financial planner before, you're probably not aware of the process they follow. It's important that clients understand the financial planning process so they get the most out of seeking personal financial advice.

As with all interactions you have with advice providers in your life, it's okay to ask a financial planner about how they work with their clients.

While there might be differences in how each planner works, the following process is general enough to cover off how most Australians receive financial advice.

You can use this as a starting point for a conversation with a financial planner, should you decide to seek advice.

1 Make an appointment

The first step is to make an appointment to meet the financial planner (usually arranged over the phone). At this stage, you're likely to be asked a little bit about why you are making the appointment, so be prepared to provide your reason.

You're also likely to be asked to pull together some key information before the meeting, which will help your financial planner provide you with personal advice.

This information typically includes:

- Details about your employment and income
- Your budget (if you have one)
- Your latest superannuation statements
- Details about assets and investments you own, including current valuations

- Details about your debts, including personal loans, credit cards or mortgages
- Details about any personal insurance you hold
- Your most recent tax return

2 First meeting

This is where you sit down with the planner and start talking about who they are and how they can help you, as well as your financial situation. Some financial planners have a different name for this meeting – it might be called “the fact find meeting”, “the discovery meeting” or “the kick-off meeting”, for example.

Your financial planner will likely lead the conversation, and you can expect to cover these areas:

- Who the financial planner is and more about their business
- How their specific financial planning process works
- Your short-term goals (one to two years), medium-term goals (three to four years) and long-term goals (five-plus years)
- Your current financial situation, based on the information you brought along to the meeting and any additional questions your financial planner might ask
- Your attitudes towards risk and return
- Strategies they might consider to help you

Of course, this is your opportunity to find out information, too, so don't be afraid to ask questions about their areas of advice and service, their process, their qualifications and experience, and how they charge their clients for the advice and service they may also provide to you.

As technology improves, it's likely that an increasing number of financial planners will offer internet video meetings rather than face-to-face meetings. However, I'd always recommend that your initial meeting is face-to-face so you can start to build a strong relationship. I do use video-conferencing technology in my business where possible – it's easy to use once you know how – but there's a lot to be said for the face-to-face meeting.

They will provide a services guide (FSG) and adviser profile. It's a legal requirement to do so, and if they don't I'd suggest you find an alternative financial planner.

(An FSG provides you with information about the entity and financial planner who will be providing the financial advice. It should explain the advice and services offered to clients, how they charge for the advice and service provided and how any complaints are dealt with.)

3 Assessment and plan preparation

This step in the process happens largely without you being present. In this stage, the planner looks at your goals and reviews your financial life on paper to assess your position.

They will look at appropriate financial planning strategies and how they can put them together to help you achieve your goals. Simply, they are working out the best strategy stacks for you. If the planner needs any more information or wants to clarify something, they may contact you during this stage.

Once they have the strategies in place, they will then consider appropriate structures and products (if required) that can be used to help you realise your goals. These are often referred to as product recommendations. They could cover specific vehicles, investments, superannuation funds or insurance products.

A good financial planner should be able to provide you with an understanding of how the assets, products and policies they've chosen help you achieve your goals. They should also provide comfort that the costs are appropriate when compared with other similar products or policies within the marketplace.

4 Second meeting

The second meeting is when you meet the financial planner again to hear the strategies they recommend you use to achieve your goals.

Some planners have a different name for this meeting – it might be called “the plan meeting”, “the strategy meeting” or “the presentation meeting”, for example.

The primary objective of this meeting is for the financial planner to demonstrate to you what your options are, based on your current financial situation. They will offer one or more specific recommendations. These will include financial planning strategies and, depending on the kind of advice, they may also make specific financial product recommendations for your personal situation.

It's very important that you understand the strategies being implemented and how they will help you achieve your goals. Don't be afraid to ask questions if you don't understand something.

It's also a good idea to put the strategies in your own words and play them back to the financial planner to check your understanding. You might do this by saying something like: “Okay, what I think you're saying is if we do X, we'll increase the likelihood of reaching Y. Is that correct?”

It's very important that you understand the strategies, so don't be afraid to ask questions

MY MONEY ADVICE

COSTS VARY, BUT MAKE SURE YOU GET VALUE FOR YOUR MONEY

Luke Smith answers Money's questions

How do financial planners get paid? What is the fee range?

At your first meeting, your financial planner will talk to you about the fees they charge. The costs for the advice and services they offer are also outlined in a document called a financial services guide (FSG). This will be provided to you by the planner before or at your first meeting.

A survey of the cost of a statement of advice found the average cost was \$3315 in 2022 around Australia, but the actual cost will vary from provider to provider.

Of course, the fees you pay will be related to the kind of advice and service and the complexity of advice provided to you. This should be clearly defined and agreed upon before commencing a new arrangement. Additionally, if you have an ongoing service arrangement, your financial planner will provide you with a fee disclosure statement (FSD) every year. The FSD outlines the fees you pay and the services you will receive.

How can you terminate a financial planner if you feel they don't add value or you're unhappy with their service?

If you decide you're not satisfied with the service or value you're receiving from your financial planner, a good place to start is to talk to them about your experience. If you have an ongoing service arrangement with your financial planner and you want to end the relationship, you should do so by putting your request to them in writing or contacting their office directly requesting that your existing arrangement cease along with any ongoing fees.

What if you have a question that impacts a close family member but not necessarily your own finances directly? Can financial advisers give "modular advice" or charge a fee for specific situations?

If you have a question that impacts a close family member, but not necessarily your own finances directly, a financial planner is able to provide advice. The planner can give advice on a changing situation and limit the advice to a specific area as required. Advice, however, needs to be given directly to the family member affected. Work can be done on a fee-for-service basis or an agreed ongoing fee for the new scope of work depending on the duration. A new fee structure would be agreed that may be outside your existing arrangement and service offering.

The financial planner is likely to walk you through the key elements of the financial plan as well as provide you with a written copy of the plan.

It's important that you understand the plan and you're comfortable with the strategies and recommendations before you implement any of them.

If financial products have been recommended to you, your financial planner should also provide you with a product disclosure statement (PDS) for each investment, superannuation or insurance product they've suggested. The PDS is a document provided by the product provider and details how their product works, including any fees and charges.

5 Implementation

If you're happy with the advice your financial planner has provided in the second meeting, the next stage of the process is where you put the plan into action. Your financial planner should guide you through this process, including the paperwork that needs to be completed before you can proceed. You will need to sign the paperwork before implementation can take place. This may occur at the end of, or after, the second meeting.

This stage is also an opportunity to ask questions if you still have them. If there's something you don't understand, make sure you don't implement your financial plan until you do. It is essential you understand the advice before you implement it. You should be comfortable that the advice will help you achieve your goals.

Additionally, it's important to note that implementation doesn't mean you invest all your money right now. It could take a while to implement your overall plan, depending on the structures you're using and the market conditions at the time.

For example, if your financial planner recommends investing through a trust, or setting up a new account-based pension at retirement, it's going to take some time before you can make an investment through it. A good financial planner will outline how and when implementation will occur so you have certainty throughout the process.

Often, the financial planner or their staff will check in with you from time to time if it's a particularly long or complex implementation process. They also will let you know when implementation is completed.

6 Review your progress

Assessing and reviewing progress is an important part of your financial plan. Some planners have a different name for this step – they might call it "the review meeting", "the progress meeting" or "the assessment meeting", for example.

Without this step, you won't know how much progress you've made towards your goals. Your financial planner will suggest an appropriate timeframe in which to



WIN A COPY

This is an edited extract from *Smart Money Strategy: Your Ultimate Guide to Financial Planning* (Wiley, \$34.95), by licensed financial planner Luke Smith. He is the host of the popular podcast *The Strategy Stacker - Luke Talks Money* and appears every Friday afternoon on Canberra's 2CC. See thestrategystacker.com.au.



To win one of five copies, tell us in 25 words or less how a financial planner has helped you achieve one of your goals. Enter online at moneymag.com/win or send your entry to Money magazine, Level 7, 55 Clarence Street, Sydney, NSW 2000. Entries open on April 3, 2023, and close on May 3, 2023.

review your progress. An annual review for investment performance is the industry standard, but if your financial affairs are more complex, you might expect quarterly or half-yearly reviews. Reviews may also arise due to legislation changes or if a specific life event occurs that creates a need for an additional meeting.

At the review meeting, your financial planner will identify the progress made towards your previously stated goals. This usually includes reviewing your superannuation and investment performance, as well as the insurance you have in place.

If the planner believes something needs to change, they will provide you with new recommendations for your review and consideration. This might include new or modified strategies, or new or alternative financial products. Just like the second meeting, it's important you understand any changes before you

agree to implement them. Implementing any new recommendations can occur at the end of your review meeting or shortly thereafter once you've provided the go ahead.

It's also important to share with your financial planner at this meeting any changes to your situation that are likely to impact on the achievement of your goals. Sometimes your circumstances in life will change, and these changes need to be considered. If a major change has occurred, like a marriage or divorce, your financial planner might need to revisit your original financial plan and recast the plan.

Smaller changes or additions can usually be dealt with through a "record of advice", which simply documents the reason for the change to your strategy, the strategy itself and any new personal financial advice recommendations. ■