EQT RELEASE

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People need financial advice – but for the right reasons

There are many very good reasons to use a financial planner, but often people start out with the wrong motivation, Mr Phil Galagher, head of wealth management for Equity Trustees Limited (EQT), says.

"There is a great deal of anecdotal evidence that people first visit advisers expecting specific investment advice and opportunities that will give them an immediate return advantage over other investors, or investment knowledge they did not have before.

"This is not what most advisers do, and the value in the advice role they provide covers essential steps such as helping set up finances, explaining what needs to be done to manage and protect wealth, how to avoid paying unnecessary tax, how to set up a suitable portfolio, encouraging a disciplined, long-term view to wealth creation, and considering concepts such as estate planning, securing the finances of independents, and the like.

"This is what people should expect, and while many may think they can do such things themselves, and see no point in paying for such advice, unless they are extremely knowledgeable about all aspects of tax and superannuation regulations, the simple fact is they can't.

"For most people the potential additional tax savings will more than cover the cost of advice, before the value of other benefits is taken into account.

"Advisers help investors think about what they are capable of achieving financially, where they want to get to go, and how they help develop an approach that brings the two together.

"New clients could be disappointed in their early meetings with a financial planner if deep down they are hoping for suggested investments where they can get in at the ground floor and earn fantastic returns.

"I would suggest that such returns simply don't exist without taking huge risk and that people should stay away from any adviser who even remotely hints at especially high returns.

"What advisers can do is recommend a portfolio that suits the circumstances of each client, manages risk and, in the process, is likely to improve long term returns over default options or unbalanced portfolios.

"Studies show that during and since the GFC clients of financial advisers suffered less than investors who did not have an adviser.

"One simple example is that advisers' clients were less likely to sell at precisely the wrong time.

"It is this sort of necessary financial discipline in sticking to an investment strategy, ignoring short term hiccups, and remembering long term goals, where advisers contribute."

Mr Galagher said that many advisers also have the skills and experience needed for estate planning, setting up investment vehicles (such as superannuation funds), and providing intergenerational wealth transfer strategies.

"People shouldn't be put off getting advice by the general criticism of the financial planning industry over commissions, or the introduction of My Super.

"Any working Australian with a mortgage should probably have a financial adviser when they are in their 40s.

"By this time their superannuation should have reached a reasonable size, meeting mortgage repayments should not be such a struggle, and some mortgage principal should have been repaid – which means there are a range of options available that can help them to secure their long term financial future."

He said that when people seek an adviser they should document what they think are looking for as this will help them choose someone who has the skills and experience that suits their individual needs.

"Part of the selection criteria should be to look at the organisation behind the adviser – is there the expertise and relationships that will continue to support their changing needs.

"Another aspect is the age of the adviser – clients need to be confident their adviser is not going to retire just before, or at the same time as they do.

"This is a critical time in financial planning and a time when clients make some of their biggest decisions, so it is important to make sure they are confident the level of support needed will be there at the right time.

"Increasingly financial advice is needed throughout retirement, especially for self-funded retirees who will have a number of decisions to make, particularly as they become elderly and less active," Mr Galagher said.

About Equity Trustees: *Equity Trustees is a publicly listed company that provides a range of financial services to corporate and private clients. Its businesses include private client wealth management, funds management, responsible entity appointments, and corporate and personal superannuation.*

The company manages more than $4 billion in its funds management, private client and superannuation businesses and has over $19 billion under responsible entity administration. Equity Trustees employs over 180 people in its Melbourne, Sydney and Brisbane offices.

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