TEN TIPS FOR CHOOSING A FINANCIAL ADVISOR

The number of members asking for recommendations for a Financial Advisor has noticeably increased recently. Do have a look at Guide 7 in the ‘Guides’ tab of this group for some helpful links.

Whilst we can't recommend anyone directly, the following may be useful to group members seeking to find and engage a Financial Advisor.

Choosing a Financial Advisor has an added layer of complexity for people who are in TP (or any other public-sector pension scheme). In addition to finding a decent Financial Advisor, you also need to find one that has a good understanding of TP. That's the thing that makes the search a bit harder.

In addition, as (in all people professions) the quality of the service is somewhat dependent on the person you get. This has come through strongly with Wesleyan as some group members on the group have reported an excellent experience and others have reported more of a hard sell. It is really important to find a Financial Adviser you trust and who you feel has your interests at heart because the results of the advice are often difficult to discern and the effects are long-term.

Expect to pay handsomely for the service, which is another reason to choose your advisor carefully. If you choose wisely, your advisor has the potential to save or return you multiple times your investment in their service. Take your time to choose your advisor carefully.

Here are a few things that might be of use to you in your search:

1) Before engaging a Financial Advisor, learn as much as you can about personal finance. Having a working knowledge changes the dynamic between you and your advisor if you have, at least, a top-level overview of the subjects being discussed. It allows you to monitor the conversation, the advice and ask questions.

2) Before engaging a Financial Advisor, be sure what you want advice about (eg holistic, retirement planning, tax, estate planning, investments, mortgages etc) and use that to check your potential IFA's specialisms. Just like not all teachers teach all key stages and specialist subjects, it is similar with IFAs.

3) Ask in your personal circle and professional network for recommendations. In any industry that relies on the knowledge, skill and personal qualities of an individual, word-

of-mouth is extremely powerful.

4) If you can't find anyone using word of mouth recommendations and decide to choose someone unknown, when you have found an advisor you may be interested in, Google the company name, the advisors name and research them in whatever way you can. Links to a couple of testimonial sites are listed in the guide.

5) Make sure the advisor is qualified, regulated and has Professional Indemnity Insurance. Check the FCA register (the link is listed in this guide).

6) If you are offered a free consultation (usually up to one hour), notice whether the FA is asking you lots of questions (even if they feel a little intrusive) and seems to want to get a deep insight into where you are at financially and more generally, your plans and aspirations, your tolerance to risk and volatility and your time horizons. This includes Wesleyan and Quilter who both have links to the teaching unions. Be clear though, these companies have sound business reasons for offering a free initial consultation.

7) Check whether the advisor is tied (also called 'restricted') or independent. Tied advisors can only recommend products from a limited number of companies and sometimes only their own. Independent advisors are free to explore product offerings from a wider range of financial institutions. For logistical and admin practicalities, independent advisors are more likely to have a selection of 'preferred and trusted suppliers' than search the whole market for each individual client.

8) Check the charging structure of the advisor - they should be upfront about it and whether they are flat-fee, charge: by the hour, a monthly recurring fee or charge a percentage of your total investment.

9) Ask about exit fees and tie-in periods. Then check whether those fees and any tie-in periods are reasonable. Also ask about fees and charges, especially front-loaded fees and exit fees, on any investment products and ask them to model the effects of those fees.

If you are buying other (non-investment, non-pension, non-annuity) financial products like mortgages, life insurance, general insurance or equity release, your FA may also earn a commission. There is nothing inherently wrong with that, just be aware of incentives.

If you are unsure of anything, ask your advisor to rephrase and re-explain it to you until you understand.

10) Be clear whether the advice you need is one-off or ongoing. It will be different for different people, depending on their circumstances and requirements.