

10 Reasons to Sack Your Financial Planner or Advisor

By Jennifer Lancaster

1. The Financial Planner is only focussing on products he/she makes a high commission from, as there is no legal or monetary imperative for financial planners to provide an unbiased service.

2. Their recommended Super Funds have higher fees but not higher performance. Two-thirds of Australia's 16,000 financial planners (as controlled by the top 30 financial advisory groups) do not recommend ANY industry super funds - the lowest fee chargers.

3. They may charge an upfront fee and blah on about unbiased advice, but if you buy into their products you get most or all of your "planning fee" back. These types are still recommending funds which pay trailing and entry commissions.

4. Say you want to invest in property (for leveraging and diversity), they might try to sell you a Property Securities Fund or Property Trust, regardless of whether the current climate is right for that, but otherwise blank stares all around. (P.S. It is hard to find a property investment "advisor" who isn't connected financially to a property developer unless they are a mortgage broker.)

5. Sometimes they are not interested or cannot help people with under \$10,000 to invest (owing to the entry level of some funds). Most people being advised will be shepherded towards salary sacrificing into superannuation on an ongoing basis, and their particular super fund will be touted.

6. Financial Planners will recommend you plough more salary into super funds to make up for losses, or lost time. Some people will never have enough even if following this strategy, as:

a) They are already too old with too few years to retirement age (if you start at 45 you would have to sacrifice (before tax) 30% of salary to super to get a decent nest egg).

b) Standard super funds do not use the power of leveraging. (More about leveraging, including a graphical illustration, in my book.)

c) Returns are eroded by high fees and poor performance in some years, when funds cannot be moved to cash/term deposits for safety. In fact, the glowing returns you were so proud of during the bull run of 2004-2007 have now been all but wiped out during the 2008 global financial crisis (ongoing distributions excluded).

7. Some financial planners will steer you to tax effective alternative investments such as agribusiness managed investment schemes. Tax-effective yes, flexible or liquid, no (from 10 to 25 years lead time). Commission for financial adviser: a whopping 10%!

8. During boom times, people trusted too much in their advisors. Financial planners and stockbrokers advised these people, and achieved this litany of disasters:

- ✓ 4,300 investors (many retirees) had \$320 million wiped out in the Westpoint property trust disaster.
- ✓ 1,200 trusting clients lost more than 50% of capital because they gave control of their financial future to Opes Prime Stockbroking – who gave control of all shareholdings to the lenders. Lift Capital was a similar story.
- ✓ 15,000 investors saw 90% of their capital wiped out when Centro Properties Group announced a \$3.7 billion shortfall, now asset sales loom with \$4.95 billion of debt. (It really has not been a good 18 months for some property trusts)
- ✓ 10,000 investors lost over \$770 Million when MFS (now Octavie) finally admitted their structure was debt-ridden and came undone by the sub-prime lending crisis.
- ✓ 20,000 mortgage fund investors with \$1 Billion locked up face a freeze on redemptions and unknown losses as City Pacific announced a net loss of \$139 million. Their shares slid from \$3.54 to just 12c in just 12 months.

9. If your financial planner does not invest themselves in a variety of assets, how on earth can they advise you?

10. Financial advisors that have a wealth coaching arm should make it clear about any financial affiliations -- potential conflicts of interest -- and any commissions they may receive. If you find out way down the track that they are backed by a big name (e.g. AMP, MLC, Perpetual), proceed directly to the exit, and go find a real wealth coach or financial educator with ethics.

This article does not constitute individual advice. Please seek independent financial advice before embarking on any investment.

Jennifer Lancaster has written *Sack Your Financial Planner: Create financial independence*.
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