

Chapter 4

Financial Professionals: Their Wealth or Yours?

Since there is often no assurance that any adviser is a successful investor, you are likely better off managing your own finances... providing you further your financial education and keep up-to-date. Financial advisers, stockbrokers, mortgage brokers, bank staff, and property development salespeople do not know you well enough to advise YOU, in your unique circumstances, exactly what is right for you. Sometimes you do need to use their services, but if you already have a plan, it makes it that much easier to keep on track and fulfil your goals.

A financial adviser/planner is a salesperson adept at selling their line of products. While they are required to assess your attitude to risk and be up to speed with legal/tax changes, you are never going to be able to access all financial products from one person. With many planners, you are also giving them a small trailing commission for the life of your investment, plus they receive a portion of the entry fee from the Fund Manager. This fee is negotiable and is usually around 4%. That could be \$400 of *your money*, assuming a \$10,000 investment. Luckily you don't have to give your money away like that!

Some products pay a better commission than others. I have heard of planners advising clients to change super funds even when the new super fund provided worse returns for the client, in order to get the commissions. While I have met proficient, even helpful, financial planners, you must remember where their income is coming from. If you need guidance, it is probably better to pay a Financial Planner or a reputable Wealth / Financial Coach upfront for their services to encourage a less biased form of investing advice. You can pay about

\$190 per hour for a Financial Planner and \$95 ph for a Paraplanner (less qualified person), with all fees rebated if you invest, according to Industry Fund Services.

The huge commissions available in some sectors heavily bias investment advice. In the property investors market, be wary of people with fancy titles like “property investment consultant” that want you to inspect and buy one of their recommended houses very quickly. How are they making their money – is their profit built into the price of the house you’re buying? Is it true value? Find out first: arrange an independent valuation.

“If you buy a property for investment, the best advice is to seek advice from someone who is not getting a financial benefit from your purchase” - Neil Jenman (Real Estate Mistakes)

Even Real Estate Agents with no investing experience will deem to advise you what is a good investment. Remember, they are working for the seller and for their own interests.

When ‘financial people’ of any kind call me, I am on red alert, because I learnt early on that some offers really are too good to be true. In 1999 I was a naive investor who bought shares in an off-market US company (now defunct) through a notorious Thailand broker called The Madison Group. They were referred to me by a friend, which is a common occurrence in these hard-sell scams. Losing your money once does not take you off the list, and I was later approached by a ‘New York based’ broker to buy my now worthless stock. Nothing came of it, but at least I didn’t lose more money.

Along with a healthy dose of scepticism, your mind must be business focussed to do well at investing. Perhaps imagine you are a top manager of a fund yourself. If a new opportunity comes to light, put your ‘business hat’ on and research the organisation thoroughly, going