

Six Steps to Finding a Competent Financial Adviser in Australia

This guide will help you start your search for a competent financial adviser in Australia.



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SIX STEPS TO FINDING A COMPETENT FINANCIAL ADVISER IN AUSTRALIA

Finding a competent financial adviser in Australia is not the easiest of tasks, yet it is most definitely an important one. You may know what qualities to look for when meeting with a potential adviser but how and where do you begin your search.

This guide addresses how you find a Financial Adviser in Australia and the six steps to take before you meet with your potential new adviser.

Step 1: Choose no more than 3 advisers to meet with

There is preparation required from both sides of an introductory meeting with a potential new adviser. To maximise the effectiveness of your search we recommend that you limit your contact list to 3 potential advisers.

The more work you do prior to these meetings the better your chances of achieving your outcomes

The more work you do prior to these meetings the better your chances of achieving your outcomes of appointing a competent financial adviser that meets your needs and objectives. Having an excessively long list is usually an outcome of poor research. In the long run, this approach is likely to lead to more time and effort on your part and will only increase your level of difficulty in making a decision. In the case of your search for an adviser we recommend you apply the philosophy of “less is more”.

Step 2: Understand clearly what you’re looking for

This is probably the most critical step. Understanding the industry and how it operates will help you understand the types of services available and which ones appeal to you.

This step requires a bit of generic research about the industry and its participants. Not all service offerings are the same ... even though many of them sound the same. How do you differentiate between the types of services offered? Unfortunately, the only way is to do a little research.

To help you out with this task we have put together a guide that covers [How to identify a great financial adviser](#). This guide provides an objective methodology for assessing a financial adviser.

It is an insider's perspective that addresses the issues that a financial adviser would look for when appointing their own personal financial adviser. You can download this guide from our blog at www.wealthfoundations.com.au/blog.

How to identify a great financial adviser

If you're looking for a relationship with a great financial adviser you need to be able to identify one. This guide will help you to understand the key attributes of a world class financial adviser.

The more research you do the better, however try not to over do it. The aim of this step is to get some clarity on the type of service you would prefer. At the end of this step your aim is to be able to identify the 3 or 4 most important attributes you are looking for in an adviser and their firm.

Step 3: Search for appropriate advisers and firms

Now that you have some clarity about what attributes are most important you can begin your search process effectively. There are only about 4 major sources to conduct your search from, so that makes the process a little simpler. The aim of this step is to get a list of appropriate names. You probably want no more than 6 and we recommend that you seek the names from a variety of sources.

The 4 major sources are:

1. Professional Bodies

These are the bodies that represent financial advisers in Australia. While not an exhaustive list, it offers a broad coverage of advisers in Australia.

- Financial Planning Association of Australia (FPA) - <http://www.fpa.asn.au/Findaplanner/>
- Association of Financial Advisers Ltd (AFA) - <http://www.ps146.com.au/afa>
- CPA Financial Planning - <https://www.cpaaustralia.com.au>
- Association Of Independently Owned Financial Planners (AIOFP) - <http://www.aiofp.net.au/>
- Boutique Financial Planning Principals Group (BFPPG) - <http://www.bfppg.asn.au>

This is an easy way to get some names but it assumes that all organisations and their members are of equal standing. Unfortunately, this is not the case and there can be a wide disparity between member's skill and ability.

2. Independent Referral sites

These services are available as a kind of broker service that allows you to lodge your details on line and be linked with a number of financial advisers. The service is usually free to the consumer and is paid for by the subscribing adviser organisations. This is an effective way to search but may not expose you to a great coverage of advisers as the search is limited to the subscribing firms and their advisers.

You should ensure that these sources are independent before you use them. Two sources you may wish to try are:

- Independent Advice - <http://www.independent-advice.com.au/index.asp>
- Australian Financial Planners - <http://www.australianfinancialplanners.com.au>

You should note that these sites are often set up for the adviser to contact you. So, if you prefer to manage the process yourself you may not wish to pursue this option.

3. Ask another professional (e.g. your accountant or solicitor)

Generally, professionals within the personal services field have developed professional relationships with each other. If you have a trusted relationship with your accountant or solicitor, they may be able to provide you with the names of a few financial advisers to research. Given that they're likely to know your circumstances better than friends or colleagues, you are more likely to get the names of advisers who would suit your circumstances. Additionally, a healthy relationship between your accountant, solicitor and financial adviser is often useful.

**A healthy relationship
between your accountant,
solicitor and financial
adviser can be very useful**

4. Ask a friend or colleague

This is often the most common method of finding an adviser. Unfortunately, this is often the only assessment made and it presumes that your friend or colleague has made a methodical and objective assessment of their adviser. While the soundness of the existing relationship is often a good sign we recommend that you conduct your own objective research.

Step 4: Conduct some specific research on these firms

The next step is to conduct some specific research on your list to narrow it down to your final 2-3 names. Researching the website of each will give you some feel for their level of expertise and culture.

**Are you looking for a large
organisation that can
provide economies of scale
or a smaller independently
owned organisation?**

The main things you need to investigate in this step are:

- Confirm the credentials of the firm and the adviser. The following link to ASIC's¹ website will give you a good overview of the licensing requirements for providing advice - [Check out a business or adviser you want to deal with](#);
- On what basis are they remunerated? You are unlikely to get specific details on the pricing from a website however you should get an idea of how they are remunerated, i.e. via fee and/or commission;
- Who are their ideal clients? Most firms specialise in certain areas of advice. For example, some may specialise in managing retired clients while others may specialise in assisting younger clients work towards their retirement goals. Are their ideal clients like you or vastly different?
- Who owns the firm? What are the relationships between the adviser, the firm and the licensed dealer group? Are you looking for a large organisation that can provide economies of scale or a smaller independently owned organisation? Are there any potential conflicts of interests that concern you? This can be a little more complex to understand but it's better to have done your own research in this area.

You should now cull your list to 2-3 names to contact.

¹ Australian Securities and Investments Commission

Step 5: Make contact with the potential adviser

You can now make contact with your short list of advisers to meet for an introductory meeting. Most advisers offer this meeting for free but make sure that you clarify this before you commit. While you may be inclined to seek some 'free advice' in this meeting it is best to avoid this. Firstly, the main purpose of the meeting is to determine if you are a suitable client for the adviser and if the adviser is suitable for your purposes. Secondly, anyone who provides answers in an initial meeting can not really be personalising their advice. It begs the question of how much thought goes into their ongoing process.

The main purpose of the meeting is to determine if you are a suitable client for the adviser and if the adviser is suitable for your purposes.

Be prepared to answer some questions when you ring. The adviser wants to make sure that they can assist you and they will want to know a little bit about you and your circumstances to determine if there is likely to be a good fit

between the two of you. This exploratory discussion is in both of your interests. There is no point in meeting if you are clearly mismatched.

Prior to making contact, you should also consider if you wish to include your spouse or partner in the meeting. While you may have done all the research work, ultimately it is as much their decision as it is yours. Unfortunately, many advisers ignore the opportunity to invite the partner to these meetings. Be prepared to request their involvement if it is not offered.

The aim of this step is to clarify the purpose of the meeting and determine what, if anything, you are required to bring to the meeting.

Step 6: Preparation for your meeting

Prior to your meeting you should spend some time getting some clarity about your intention for this meeting. Quite simply, your intended outcome of the meeting is to be able to make a fully informed decision about whether to become a client or not.

What three things are most important for you in choosing an adviser?

What three things are most important for you in choosing an adviser? What do you need to know and understand to be clear and confident about making this decision?

You may wish to jot down some specific questions to ask in the meeting. However, it is the adviser who generally runs this meeting, not you, so you can sit back and relax and observe their handling of the meeting.

Some questions you may wish to ask include:

- What do you see as your primary role?
- Who are your ideal clients?
- What assumptions do you use in your planning projections?
- Ask them to explain a concept or two. You may wish to ask a content driven question, such as “Can you explain the difference between passive and active investing?”, and a process driven question, such as “How do you determine what allocation I should have between defensive and growth assets?”
- How long have you been with this firm and do you see yourself working here in 5 years time?

Devoting the time to gaining this clarity prior to your meeting will be time well spent.

We recommend that you do not make a decision to become a client in the introductory meeting even if you are absolutely convinced. Often you need to consult with your partner and we generally recommend that you sleep on it and get back to them with your response within an agreed time.

Don't make a decision to become a client in the introductory meeting even if you are absolutely convinced

SUMMARY

Finding and choosing a financial adviser is not an easy project, yet it is an important one that is worth the effort. The wrong choice of adviser can have a significant negative impact on your long term wealth outcome. The right choice can significantly enhance your wealth and your ability to achieve your desired outcomes.

Good Luck with your search.

Please feel free to forward this eBook to friends and colleagues.

*For our views on typical financial planning issues sign up for our
“Smart Decisions” blog at www.wealthfoundations.com.au/blog.*