

Guide to Choosing a financial adviser

Good financial advice can make your money work harder for you. Choosing the right financial adviser / financial advisor (adviser and advisor are interchangeable - we'll be using adviser throughout the rest of this guide) is an important decision to get right.

Getting good financial advice will make a real difference to achieving your goals. You might want to borrow money to buy a house, put yourself on track for a comfortable retirement or make sure your finances could survive if illness meant you couldn't work. There are hundreds more things to think about and a good financial adviser will help you understand and prioritise your financial needs, as well as recommend products which can help you.

Why choose an independent financial adviser (IFA)?

There are three different types of financial adviser. In the industry jargon, your adviser may be tied, multi-tied or independent. You need to know what the status of your financial adviser is because it may well dictate the depth of advice you may receive.

Independent financial advisers (IFAs) may advise you about products from a range of companies across the market; tied advisers may only sell products provided by the one company to which they are tied. A multi-tied adviser may also only offer products from companies with which they have a relationship. This may only be one company in each product area, meaning they offer no more choice than a tied adviser or they may have a relationship with a handful of companies.

Although all types of adviser are required to advise you about the products most suitable for you, you are always likely to get the most suitable advice for you and your circumstances from an independent financial adviser (IFA) who has been able to review the whole market-place rather than a tied or multi-tied adviser.

What will financial advice cost?

You may pay for independent financial advice through fees, commission or a combination of the two. Fees usually mean that you pay a fixed amount to the IFA up

front, depending on how complicated your advice needs are, or sometimes an hourly rate.

Commission usually means you don't pay the adviser any money directly. Instead, the provider of any financial products you buy pays commission to the adviser and deducts the cost from the value of your product. The cost of the commission is taken into account in the charges you pay under your product, together with the other costs of setting up and operating the plan.



Tax is another issue. VAT is payable on fees, but not on commission payments. However, your IFA may give back to you part of the commission he receives. If so, you may be liable to income tax on the amount you get back.

Since mid-2004, independent financial advisers have been required to give you the option to pay by fee if you want to. Tied advisers and multi-tied advisers are not required to offer you this choice. However, after stipulating a fee, IFAs may take the fee out of the commission generated by any product you purchase. Any commission over and above the fee already stipulated would be rebated to you.

Who regulates financial advisers?

All financial advisers, whether independent, tied or multi-tied, are regulated by the Financial Services Authority (FSA) under the provisions of the Financial Services and Markets Act 2000.

The FSA keeps a list called the Central Register, which means you can check up on IFAs before doing business with them. The Central Register is available on the FSA website at:

www.fsa.gov.uk/register-res/html/cons_info/home_firmcheck.html

You can also make checks over the phone on 0845 606 1234.

What happens if I get bad advice?

All authorised advisers are required to have a complaints procedure. This is the first course to follow if you think you have been badly advised. However, if your IFA's process doesn't resolve the problem, you can refer your complaint, without cost to you, to the Financial Ombudsman Service.

The IFA that has been dealing with your complaint should, as part of their procedure, give you details of how to contact the ombudsman.

Beware of paper advisers!

The financial sections of the newspapers often give helpful guides. The financial press is definitely worth reading to give useful background and the knowledge will be useful when you deal with an independent financial adviser.

However, you should be very careful before taking any action which seems to be recommended in the press, as the journalist won't know about your individual circumstances, the advice will be very generalised, and it might not be the right thing for you. It is very difficult in limited space for journalists to cover all of the pros and cons.

Why your accountant, IFA and stockbroker may disagree

Conflicting advice on how to invest is not surprising. There is often more than one way to achieve a financial objective but you need to be comfortable that the investments you choose are right for you.

Make sure that your independent financial adviser has asked enough questions about your circumstances, needs and preferences, has considered the alternatives and can give you clear reasons for the recommendation which make sense to you.

If you're not happy, ask more questions, IFAs will always be prepared to make sure that you understand fully what it is they are telling you.