

The Value of Advice

Most people find it quite difficult to balance their budgets and meet their debt payments, let alone find time to plan for their unforeseeable future. Even for those that spend time creating a financial plan for themselves, the huge variety of financial solutions available makes it very difficult to determine exactly which ones will help them to meet their financial goals in the most effective way.

Financial advisers have a vital role to play to educate people and to assist them to retire financially independent through disciplined savings. They also help clients to budget, reduce debt, save for unforeseen events, protect their assets and ensure that their family is financially secure in the event of death, disability or accident. In short, appropriate financial advice helps people to improve their quality of life, as well as that of their families.

What is holistic financial advice?

Financial planning by a professional financial adviser will give you a holistic view of your financial situation. The financial adviser will help you gain focus and give you advice on how to best achieve your financial goals, taking into account all the cost pressures you face.

Holistic financial advice recognises the interconnectedness of all parts of your financial situation. You cannot successfully save for retirement or keep your risk cover intact in trying times if you don't also consider your debt situation or pressing short-term goals.

While many people will consult a financial planner only for investment or retirement savings advice, without a holistic financial plan you run the risk of neglecting some of your goals. Most people need to make a trade-off between different needs as they cannot afford to address all of them, and finding the right balance is an essential part of your holistic financial plan.

Holistic financial advice can also help you overcome some behavioural biases, like compartmentalising different financial needs (looking at different needs in isolation) and optimism bias. The 'It won't happen to me' or optimism bias is one of the reasons why many people fail to adequately cover themselves for unforeseen events that can severely impact their finances.

Your holistic financial plan should include risk cover to protect you against the impact of events which will have a detrimental effect on you and your family's current and future lifestyle. It should also include retirement planning to ensure that your hard work will benefit you and your family in your later years. Your financial adviser will not only identify areas of risk but also show you how each piece fits into your overall puzzle.

Once your financial adviser understands all your financial goals and objectives, the next step is to identify the financial solutions that are best suited to meet them and help you to implement and adjust them over time as your circumstances change.

Why do I need an expert financial adviser?

As in the case with medical or legal advice, it is best to get financial advice from a qualified professional. In addition to analysing your financial goals and objectives to determine how much you need to save and how much cover you require, a financial adviser will also provide expert advice on appropriate financial solutions that will help you reach your goals.

This includes:

- Weighing up the tax benefits and implications of different solutions;
- Combining different risk and savings solutions to effectively meet different needs;
- Determining the most appropriate investment strategy and portfolio for your savings based on your goals and objectives, taking into account your tolerance for financial risk;



- Deciding on the most appropriate income strategy to follow when you retire, taking into account the different income options available - this is one of the most important financial decisions you will ever make regarding your financial security;
- Reviewing your income and managing your investments after retirement.

Research supports the value added by financial planning

A holistic financial plan not only helps clients make more informed decisions, but also helps clients feel more confident about their finances:

- According to the 2014 survey conducted by the Insured Retirement Institute (IRI) to measure the retirement expectations and preparedness of the Baby Boomer generation, Baby Boomers with financial advisers were twice as likely to feel confident about their retirement savings as those without an adviser.
- The Econometric Models on the Value of Advice of a Financial Advisor, a study by the Centre for Interuniversity Research and Analysis on Organizations (CIRANO) on the effects of advice found that people with financial planner-relationships exhibit better savings behaviour and that they had greater assets accumulation even after accounting for other variables. They also had increased usage of tax-advantaged savings vehicles, improved asset allocation, and greater portfolio diversification.
- An international HSBC study, "The Future of Retirement," in 2011 showed that those with financial plans accumulated nearly 250% more retirement savings than those without a financial plan in place. Furthermore, nearly 44% of those who have a financial plan in place save more money each year for retirement.

How do I get appropriate advice?

Find a financial adviser that is registered and specialises in holistic financial planning. You may need to interview a number of advisers to find one that you personally relate to.

Advice is not free and financial advisers, like other professionals, must be able to recoup business expenses and make a living out of the service they render. You and your adviser should discuss remuneration options for the advice provided, which could include commission or fees payable on implemented solutions, upfront planning fees or on-going advice fees. You are entitled to negotiate with your adviser about an appropriate level of remuneration for services.

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