



GOOD ADVICE ON GOOD ADVICE

Susanna Stuart explains how new regulations and a bit of nous will help you find the best financial adviser

I find exams very taxing as they demand strong recall. But after many years in practice I recently found myself sitting an exam in order to become an Authorised Financial Adviser.

Historically the barriers to practise as a financial adviser in New Zealand were low, and the client had very little protection.

There have always been three types of protection investors need. The first is from poor professional standards – is the adviser truly acting in the best interests of the client? Is the adviser qualified to offer you sound advice?

The second protection is from disclosure or systemic risk: I'm thinking here of advisers who promoted Blue Chip and other discredited products to their clients on the basis of commission being paid.

The third protection is from simple criminal behaviour: the frauds and Ponzi schemes.

In New Zealand the economic meltdown of 2008 exposed the huge extent of all three types of risk. As a result the Government has swiftly implemented new laws and regulations to lift professional standards and provide some consumer protection.

All financial service providers now have to be registered, including financial advisers, and if dealing with retail clients they have to belong to an approved

disputes resolution scheme. The public can go to an online register which lists the people, businesses and organisations that offer financial services.

The core of the new regime, now in force, is the Financial Advisers Act. This introduces minimum standards of professionalism for financial advisers and gives the Securities Commission power to regulate them. It requires all financial advisers to act with care, diligence and skill and not mislead clients – and practise full disclosure so consumers can make informed decisions about whether to use their services and follow their advice.

It makes advisers accountable for the advice they give. Advisers who choose to be “authorised” must also comply with a Code of Professional Conduct and meet minimum standards of competence, knowledge and skills, client care, ethical behaviour and continuing professional training. Being authorised means they can provide personalised investment advice to retail clients about a broad range of investments.

The new laws also introduce a watchdog, the Commissioner for Financial Advisers, to ensure advisers comply and to chair the disciplinary committee that will deal with errant advisers.

Will all this work? In my view the new regulations will clean

out many underqualified people from the profession. But regulations don't provide total protection and never will. Your best protection has been, and always will be, getting a referral from a trusted source and doing your homework.

The Securities Commission has a few helpful suggestions. First, find out if an adviser works for an organisation or themselves, then assess their qualifications and experience and whether they belong to a professional adviser association. Also, do they specialise in

offering the products or services you are looking for?

Then find out how the adviser is paid. Will you be charged fees? Will commissions be deducted from the money you invest? Can the adviser tell you what the maximum is that you will pay – directly or indirectly – for the advice? Will the adviser get any other form of payment or remuneration, whether in cash or another form?

The answers will help you decide if the person in question has the skills and experience necessary to assist you. **N**

KNOW HOW YOU'RE PROTECTED

- The Financial Advisers Act comes into full force on July 1, 2011. You can read the legislation for free at www.legislation.govt.nz. The Securities Commission also has information at www.seccom.govt.nz.
- To find out whether your financial services provider is registered go to www.fspr.govt.nz and tab “online services”.
- For more information on dispute resolution schemes, go to www.consumeraffairs.govt.nz.

HAVE YOU HEARD?

Visa Debit cards are a great way to control your spending by accessing your own money from your everyday or savings, rather than credit, accounts. It functions as an ATM/eftpos card but you can purchase goods online, over the phone and in stores. National Bank says they are also suitable for people who are not eligible for a credit card. “Many people will choose to have a National Bank Visa Debit for everyday use, much as they do an eftpos card, and also carry a National Bank Visa credit card for significant purchases, rewards or as back-up.”