

Financial planner or salesperson?

Telling the difference between a financial planner and a salesperson should be a straight forward exercise but unfortunately that's not always the case. In fact the way a financial planner is remunerated can have a big influence on the quality of advice you receive.

A financial planner who receives a large part of their income in trailing commissions and hidden fees often has very different motivations from a planner who receives a salary or a planner who charges a flat up-front fee.

While investments markets remain volatile and the economic future uncertain it's more important than ever that people are able to get good quality financial planning advice.

The Federal Government is currently undertaking a review of the Australian superannuation system and it's expected that fees and charges will come in for close scrutiny.

In anticipation of the review many of the large financial institutions have been reviewing their business models, paying particular attention to how they remunerate their financial planners.

It appears that some financial planners have been behaving more like salespeople than professional advisers, with reports that many have been receiving almost half their annual income in commissions. A high performing planner is often considered to be someone who exceeds their sales targets, not someone who provides the best quality advice to their clients.

Such incentives often motivate these planners to put their own short-term financial interests before the interests of their clients – not what any client is looking for in a financial planner.

The challenge these organisations now face is to convince their clients and the wider public that their financial planners are providing quality financial advice, and are not just salespeople spruiking super and investment products.

What is the value of good financial planning advice?

A lot of people are apathetic about their super, but for many people it will be the most important investment they make in their lives, and getting the right advice early can mean a huge difference when you finally retire.

For example, when the economic climate is volatile there's a temptation to switch investment strategies in response to movements in the markets.

Timing the market takes a great amount of skill and an even greater amount of luck and the truth is very few people get it right.

Some people reacted to the market downturn by switching their super into a more conservative investment strategy, such as cash, but many switched too late and now they've missed out on the recent market upturn and effectively crystallised their losses.

This underlines the need to focus on long-term financial goals not short-term fluctuations in the market, and to always get professional financial advice before you make any major changes to your super investment.

Over the past few years there have been a range of changes to super and many people now think that planning for retirement is too complex. A common reaction is to avoid thinking about their super all together or to invest their savings elsewhere.

In fact many of the changes to superannuation in recent years have made super much simpler. Salary sacrificing, the Government's Co-contribution scheme and the transition to retirement measures are all designed to help people make the most of their super contributions and maximise their retirement savings.

A good financial planner will explain all the different aspects of super and help you choose the options which suit your current circumstances so you can achieve your long-term financial goals.

Do you have a financial planner you can trust?

Trust is the most important factor when it comes to financial planning. You need to know that your financial planner is looking after your long-term interests and not purely motivated by short-term financial incentives.

A good financial planner helps you identify your long-term financial goals and takes the time to understand your financial situation and your appetite for risk. They will develop a plan that is easy to understand and flexible enough to adjust to a change in your circumstances.

As we've seen over the past twelve months life can be unpredictable. A good financial planner will offer to regularly review your plan to make sure it's still meeting your current needs, and that you remain on track to achieve your long-term financial goals.

If you're a member of Local Government Super you can get financial planning advice at no extra cost.

Local Government Super financial planners do not receive hidden fees or trailing commissions; they receive a salary so their main concern is your long-term financial security. Their performance is measured on how well they build long-term relationships with their clients.

Our financial planners can help you plan for your retirement, choose a suitable investment strategy or even make the most of a redundancy payment.

Your super is your future so it pays to get the best advice.

If you would like to speak to a financial planner, please call 1300 369 901.

