

First published in Bay of Plenty Times - November 2012

How secure is your investment?

With media attention in the investment arena focussing on the investigation of Ross Asset Management Ltd, where receivers have been appointed to find out where investors money has gone to, it's quite timely to be reminded of how important it is to ensure you have a secure investment portfolio.

As a reminder of the Ross Asset Management case, the Financial Markets Authority (FMA) received complaints from investors who had been unable to withdraw funds from their portfolios via the company, despite several months of requests. After making inquiries, the FMA moved in to obtain information from Mr Ross and as he was unable to satisfy concerns made, the FMA then moved to freeze his assets. Receivers are now working through the process of trying to locate funds.

So, what is a secure investment portfolio?

The regulatory environment changed for advisers in July 2011, and for those of us within the industry that believe in our profession, regulation is seen as a good thing, with the hope that it brings greater clarity and transparency for consumers and continually raises the bar for quality financial planning advice.

So, when you're looking for professional advice relating to share portfolios, you should not be afraid to ask the difficult questions of your advisers about the security, robustness and costs associated with your investment and their processes and systems.

So, what should you be asking you advisers?

One of the most important questions you can ask of anyone offering financial advice, is "How can you prove you will act only in my best interests?"

Of course, it goes without saying that you need financial advice from a trusted adviser who operates solely for your benefit and focusses on empowering you to achieve your long-term goals, so when looking for such an adviser, don't be afraid to ask them how they get paid and whether they're aligned to any provider, or whether they are independent and work for you, the client solely – do you pay them, or does an investment provider pay them for recommending their products/services?

If you're looking for a professional when seeking financial and investment advice, ask if they are a Certified Financial Planner (CFP). When seeking personal insurance advice for families and business owners, ask if they are a Chartered Life Underwriter (CLU). I appreciate that having qualifications and designations are only part of the equation however, at least you'll have an appreciation that the adviser hopefully takes their profession seriously and believes in up-skilling themselves through tertiary qualification such as these, which are at international standards

One of the words slowly creeping into our language here in New Zealand within our professional field, is that of being a 'fiduciary'. It is a more common known word through the US, however, being a fiduciary means "one often in a position of authority who obligates himself/herself to act on

behalf of another (as in managing money or property) and assumes a duty to act in good faith and with care, candour and loyalty in fulfilling the obligation". In order to find out if your adviser is a fiduciary, ask them if they have the designation of being an Accredited Investment Fiduciary (AIF). Being an AIF means making a commitment to judge wisely and objectively and to ensure that all processes and procedures are congruent with the goals and objectives of the client. This is the very essence of stewardship. Furthermore, understanding world's best practice when it comes to providing advice and implementing investment solutions for clients is part of this. So, when advisers are recommending investment portfolios, are they providing you with information about the total costs, including all the buying and selling costs in the year, not just the upfront administration, management and adviser fees/commissions. Do you know whether your portfolio performance is being compared to the appropriate benchmark for what it is being invested in? This is a question of what risk you are taking for the actual return you receive. Do any of the underlying managed funds have independent and global certification adhering to international standards in fiduciary investment stewardship practices by The Centre of Fiduciary Excellence (www.cefex.org)? What exactly is your money being invested in? What happens if things go wrong – will you be able to get at your money quickly (is it liquid and readily available at any time?) Is your investment within a trustee structure? If so, what are the trustees doing to meet trustee responsibilities and regulation?

We all appoint professionals to help us with our affairs, whether in business or personally, and we should continue to have these people and organisations around us to help us achieve greater things and with more efficiency. We also have a responsibility (as do they) to ensure they are acting in our best interest and we should not be afraid to ask them the difficult questions - hopefully they'll agree that it's smart of us to do so, which then in turns helps everyone build those long and trusted professional relationships we want.

I guess it seems easy for me to say all this, as we already adhere to these standards and best practices, however, we're so passionate about investors getting robust and competent advice, that consumers need to know there are choices out there and you should arm yourselves with the knowledge to get to know your advisers and how they are investing your money.

Charlene Overell AIF® CFP^{CM} CLU, is a Director & Authorised Financial Adviser of G3 Financial Freedom Ltd. A Disclosure Statement is available on request free of charge. Tel: (07) 571 5333 Mobile: 021 599 940 See www.g3freedom.co.nz Email: charlene@g3freedom.co.nz