

Financial Advice: Dispelling The Myths

by Anthony Howard

Financial advice is a very personal matter - no two people are the same and advice given has to be bespoke to each individual. There are many different perceptions about financial advice and potential clients are often reluctant to speak to an adviser. There are many possible reasons for this, so here I will briefly explore some of the "myths" about financial advice.

- **Myth number 1 - Financial advice is only for the rich and wealthy.**

Anyone can take financial advice, depending on their needs, and their personal circumstances. Access to an adviser can appear to be restricted, with many who may indeed only be looking for the really wealthy clients, but this is not true of all advisory firms.

- **Myth number 2 - Financial advisers are just salesmen.**

One of the biggest changes to financial advice took place in 2012, when commission was banned on investments and pension products. Financial advice is now (and should always have been) about what is best for the client.

It doesn't really matter what product, provider or tax wrapper is used, as long as it is what is best suited to you the client. Financial advice is now about agreeing in advance with you an appropriate fee for doing a job - exactly the same as you do with an accountant, solicitor or any other professional. This can be a percentage, fixed fee, or hourly rate. It could even be a combination depending on what you want.

- **Myth number 3 - Financial advisers are not qualified.**

All practicing financial advisers in the UK are now required to obtain at least the QCF level 4 Diploma in Financial Advice, and we have to maintain our knowledge with at least 35 hours a year of ongoing training.

The impact of this requirement has resulted in a drop in adviser numbers, where in 2011 there were over 40,000 advisers in the market, we have seen a drop of approximately 23% by January 2014*.



In summary, we have seen that financial advisers are now highly qualified, not affected by commission bias and that advice is available to anyone who wants it. What are people waiting for?

Data from a 2012 survey by unbiased.co.uk showed that only 18% of the overall population in the UK have received regulated financial advice, meaning a significant percentage have not**.

What stops people from taking advice other than the issues mentioned above? Perhaps it is down to not understanding the process or the objectives of financial advice. Some might think it is a sales operation - sell lots of insurance products and move on. Others may think that advisers simply make money off of other people's money.

My view on financial advice is, as you would imagine, a little different.

Think about a mission or a sortie. Missions are carefully planned in advance. Routes are prepared, contingencies planned for and aircraft are thoroughly checked and maintained. Without the right navigation during the flight you won't reach the destination or get there at the wrong time, and you still need to get safely home afterwards.

Advisers are there to help you with mission preparation, maintenance, contingency planning and navigation for your finances. Have you prepared properly for your financial mission?

Sources: * "The Advice Market Post RDR Review". June 2014. APFA (Association of Professional Financial Advisers).

**The Value of Advice Report 2012

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