

Is a financial adviser worth the cost?

We have all heard people say... 'Nothing in this world is for free' and if someone tells you otherwise, walk the other way.

Can something as important as wealth planning be offered for free?

When cost becomes the primary factor in decision making and when we don't understand the true value of what we are paying, could we be missing out on something that could be one of the best decisions we could make?

When it comes to working with a financial adviser, it's important to understand the price you pay, to know the value you receive, and to understand why it's important.

Understand the price you pay for what you get

In the last decade, the financial services industry has gone through a lot of change. Technology and modern business models have given more investors direct access to markets.

Today, there are an overwhelming number of ways for people to invest, with even the most modest amount of assets. These solutions come in the form of robo-advice, self-service investment or trading platforms.

These solutions are getting many investors started at a younger age. In some cases, these solutions are teaching investors the importance of saving, being disciplined and engaging with their personal wealth.

However, these low-cost advice solutions are not a replacement for a full-service financial adviser. They may provide basic building blocks of investment management and set prices for standard services – annual statements, online access and a phone number to call in case of questions.

Utilising the expertise of full service financial advisers

In the case of a full-service financial adviser, many focus on goals and objectives that takes time, planning and ongoing coordination to accomplish. But it is more than just the time it takes to prepare a single client's financial plan. It is the years of experience and expertise embedded in that plan that underpins the value of a true holistic financial adviser.

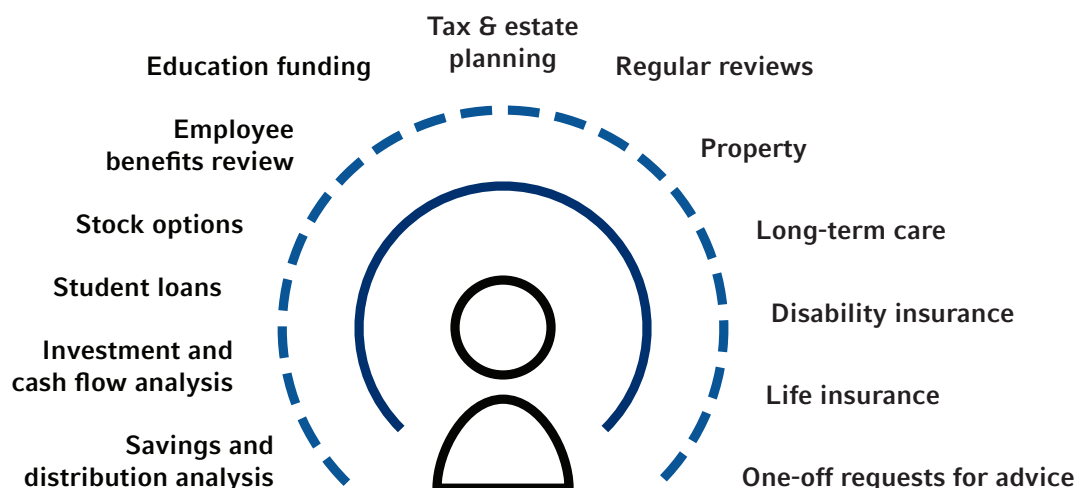
Imagine if you were needing to have some major surgery. The value of a specialist surgeon is not just the hours spent with you in consultation and surgery. You are also benefiting from their years of study, practical placements, observations and mentorship. Not to mention the cumulative hours and experiences of the many surgeries they already have successfully completed.

In parallel, a financial adviser must meet every requirement of the Professional Standards for financial advisers, including requirements to complete 40 hours of 'qualifying Continuing Professional Development (CPD) activities' in each year with minimum requirements in specific knowledge areas. They need to have or be working towards a relevant degree qualification and pass the Financial Adviser Standards and Ethics Authority (FASEA) exam and comply with the Financial Planners and Advisers code of Ethics.

In addition to formal education, clients can tap into the years of experience of an adviser. This practical experience is invaluable, as it combines the technical skill set alongside the client engagement expertise.

This formal and practical evolution of an adviser's skill sets all take time.

Planning is a complex and specialised experience, personalised for individual investors. The following topics cover the various areas of planning that financial advisers undertake.



Know what you know

It's important to know what you are getting for the price you pay. In the investment world, many investors are buying low-cost investment solutions to save money on fees.

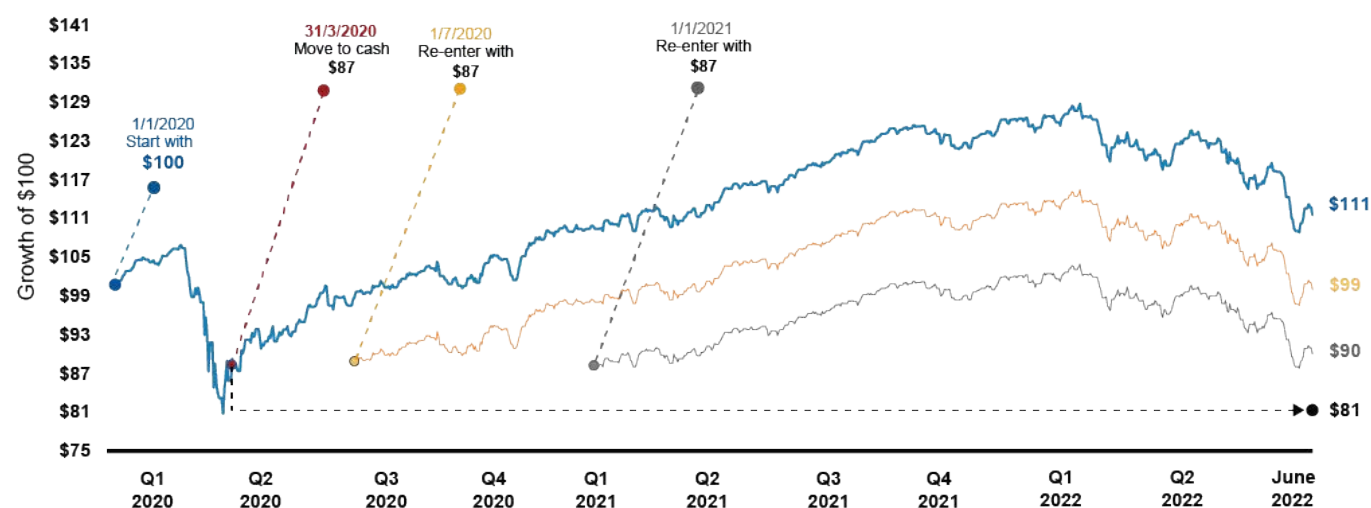
It seems simple but there are a lot of questions that must be answered when it comes to investing...

- Do investors understand what they own?
- How much risk is in the investment they own?
- What is the return expectation?

It may be fair to say that many investors don't completely understand the amount of risk they are taking during given points in the market cycle.

In the below chart we can follow three hypothetical investors' journeys from January 2020 to 30 June 2022 to see the impact of staying invested through all of the volatility versus selling up and then trying to find the best re-entry point.

Fear impacts opportunity



Source: Bloomberg. Balanced Portfolio: 35% ASX300 TR Index, 35% S&P 500 TR Index (Half Hedged), 15% Bloomberg AusBond Composit 0+ Yr Index & 15% Bloomberg Aggregate Bond Index.

These numbers reinforce the importance of knowing what you own and the importance of a financial adviser as a behavioural coach and risk manager. Helping clients avoid pulling out of markets at the wrong time and sticking to their long-term plan is one way we believe advisers provide substantial value.

Understand why it's important

In Malcolm Gladwell's book "Outliers," he dedicates a chapter to what researchers have come to identify as the 10,000-hour rule. The rule states that for an individual to achieve a level of mastery, they must dedicate 10,000 hours of practice to the subject. To put 10,000 hours into perspective, most people only work 2,000 hours year. So, any professional working in a field for more than five years would be considered a qualified expert. Five years isn't a lot of time—however, many investors are taking on the responsibility themselves with little to no experience.

When it comes to delivering value, we see planning, avoiding behaviour mistakes and helping clients reach their financial goals are key ways advisers are able to contribute value. We believe wise advisers educate investors on understanding the products and services they receive for the price they pay.

We also believe it's important for investors to understand the value they are receiving, and the guidance provided to help them achieve their outcomes.

The bottom line

Goods and services are priced a certain way for a reason. The most important thing to discover is WHY they're priced that way. Sometimes, a bad purchase based on price is a learning experience. However, some bad decisions based on the price of a good or a service can leave irreparable damage that cannot be undone. It's important to do your due diligence. Spend time asking questions, analysing and understanding the value you are receiving for the price you are paying, so you can avoid any devastating consequences.

IMPORTANT INFORMATION

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