



THE POWER
OF INDEPENDENT ADVICE

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5 THINGS TO KNOW WHEN CHOOSING A FINANCIAL ADVISOR

By **Maria Smit** | Certified Financial Planner®, Brenthurst Wealth Pretoria

One of the biggest difficulties I face as a financial advisor is that, more often than not, new clients don't understand my role. And if a person does not understand what value I bring, then how can that person make an informed decision when choosing a financial advisor?

Today's financial advice industry differs light years from the way financial products were sold 20+ years ago. The Financial Advisory and Intermediary Services (FAIS) Act of 2002 was a major shift that aimed to protect consumers and ensure that they were treated fairly.

Until then, oversight was a little loose; just about anyone could sell investment and insurance products. These were often sold on a commission basis, leading to products with higher commissions being sold to clients, even if they were not suited to their goals.

That was then. Today, the industry is far more tightly regulated, with far greater transparency for you as an investor on the products, their fees, projected outcomes, and so forth. And, instead of a commission, you pay management and professional fees that are calculated as a percentage of your investment.

1. INDEPENDENT VS NON-INDEPENDENT

It helps to first understand the roles of and differences between an independent financial advisor and a non-independent 'advisor'. The latter is sometimes known as a broker, mostly employed by large financial institutions to sell their products... and their products only.

As an impartial financial advisor, I am not restricted to recommending funds or solutions from just one provider. This provides us far more freedom to design a plan that suits your unique objectives and situation.

2. IT HAS TO BE A PARTNERSHIP

Your advisor should not represent themselves as a money-making genie, as this is not what they are paid to do. If they make extravagant claims about their wealth, I advise you to ignore them as they are frequently nothing more than con artists.

You're the engine of your wealth building, fuelled by your income. And once you have some savings to invest, an outstanding (not average) advisor can help you slowly build your wealth.

There is no fast track or genie able to propel you to riches.

For your financial plan to work, you need to collaborate with your advisor to optimise your taxes, diversify your investments and carefully consider the circumstances specific to you and your lifestyle.

3. THERE ARE NO RISK-FREE INVESTMENTS

Just as there are no certainties in life, there are no risk-free investments. What you do get, are different levels of risk. Even banks can be risky – think of Silicon Bank in the US, Credit Suisse in Europe and our African Bank. So, there are no guarantees.

However, you can balance your risk appropriately by working with your financial advisor. When you're younger, for instance, it's appropriate to have a stronger inclination toward listed equities, even though they're more risky. Your chances of recovering from market dips are far better when you have a long investment horizon.

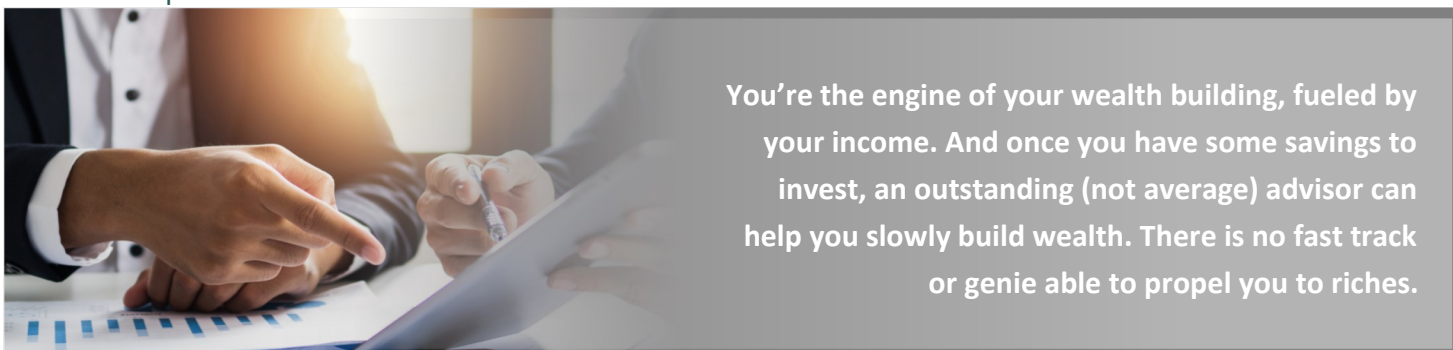
When you're closer to retirement, you would probably want to spread that risk to avoid a market crash derailing your retirement plans.

4. PROFESSIONALLY QUALIFIED

When searching for a financial advisor, it pays to do your homework. You want to be sure they have the right qualifications and are operating above board.

A good wealth manager often has a three-year BCom degree, a year of Honours and an additional year of postgraduate work. Additionally, they need to pass a council exam before they can add the Certified Financial Planner (CFP) qualification to their name.

This training and industry experience allows us to charge a 1% advice fee per annum, especially when your investment portfolio has benefitted.



You're the engine of your wealth building, fueled by your income. And once you have some savings to invest, an outstanding (not average) advisor can help you slowly build wealth. There is no fast track or genie able to propel you to riches.

5. WHAT TO ASK YOUR FINANCIAL ADVISOR

Here are ten questions I suggest you ask when meeting an advisor, so as to find out whether they can help you grow your investments:

1. How do you get paid?
2. What professional qualifications and credentials do you have?
3. What areas of financial planning do you specialise in?
4. How often will we meet to review my portfolio?
5. Do you collaborate with any specialists, i.e., attorneys, accountants, tax practitioners or fiduciary specialists?
6. Do you have any conflicts of interest in managing my portfolio?
7. What type of clients do you deal with?
8. How do you approach financial planning?
9. What will happen to my portfolio should you change firms?
10. How is your performance measured at your company?

I hope this sheds some light on the role of an advisor and how you can benefit from partnering with one who can grow your wealth.

Finding the right advisor to help you achieve your goals is much like finding the right doctor. You need someone who understands what you're talking about, can create a holistic plan to accommodate these needs and is someone you trust.

To find this person, do your research. Ask around. Find someone who has been there, has done what you're looking to do and can give you concrete advice based on their experience.



ADVISOR PROFILE: MARIA SMIT | CERTIFIED FINANCIAL PLANNER®

MARIA is a CERTIFIED FINANCIAL PLANNER® professional, a member of the Financial Planning Institute of SA and is fully qualified to give advice on all investment matters.

She joined Brenthurst Wealth in 2019 and has been in the financial services industry since 2015, working as a liaison between financial advisors and clients, assisting in all financial planning related duties.

Maria obtained a BCom Economics degree from the North West University's Potchefstroom Campus. She also obtained her Postgraduate Diploma in Financial Planning from the University of the Free State in 2019 and is qualified to give advice on all aspects of investing.

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