



THE POWER
OF INDEPENDENT ADVICE

IN THIS ISSUE

“Brenthurst is focused on delivering quality and appropriate independent advice that will deliver the best outcome for its clients.”

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THE VALUE OF A FINANCIAL ADVISOR “ESPECIALLY” IN TOUGH TIMES

By Suzean Haumann, Certified Financial Planner® Brenthurst Wealth Management

The current volatile market situation and uncertain economic scenario have many an investor ill at ease, panic-stricken even.

When sudden unprecedented events occur like the outbreak of the COVID-19 pandemic, causing major market upheaval, the first thought that usually comes to mind is that one is heading towards immediate financial ruin, and that will probably be followed by a knee jerk reaction to try and stop that from happening.

But both experience and research show that emotion and markets don't mix, especially in the short-term. It is therefore more imperative than ever to engage with an independent financial advisor for unbiased guidance to ensure better portfolio performance over the longer term and help investors to responsibly navigate difficult times.

Seeking advice from a reputable source to explore the investment options that are available starts with contacting an **authorised financial professional accredited with the Financial Services Conduct Authority (FSCA)**, who will then unpack an individual's circumstances and devise a unique financial plan and investment strategy best suited to the investors needs.

But it remains commonplace for the thought process, in times of costly crisis, to include the question: “why should I hire a qualified investment advisor to manage my own money when I already have a pension fund and there is enough information and advice available in the public domain to make informed decisions on other investments?”

It is true that financial information is available absolutely everywhere and most financial service institutions such as banks, asset managers, insurers, economic research companies and industry bodies like ASISA, provide information on products, providers and planning on a continuous basis. Furthermore, as financial advice typically costs between 0.5% to 1% of a portfolio each year, according to research, it is understandable for prospective clients to make inquiries into the cost of truly independent advice.

Vanguard, one of the world's largest investment companies has been examining this question for fifteen years. Based on their research, analysis, and testing, there is a quantifiable increase in return from working with a financial advisor. **Vanguard calls this advantage the Advisor's Alpha – in their words 'the active return'. Vanguard's research states that when certain best practices are followed, the result can be an active return in the 3% per year range. Separate studies have come to similar conclusions.**

Truth be told, not everyone wants or needs a financial advisor. About one-quarter of private investors are frankly “*self-directed*,” according to Vanguard. These people truly enjoy investing and are pretty good at it. “They obsessively follow the markets and enjoy creating and doing financial projections. Perhaps most importantly, these investors have an incredible level of discipline that prevents their emotions from intervening with their long-term investment strategy,” the investment firm states.

However, given that the majority of us aren't “*self-directed*” in South Africa and around the world, when it comes to money, even our own, it's good to know that there is professional and practiced help available that one can rely on, and which has proved to pay off over the longer term.

There are several ways in which a financial advisor can add value to investment efforts. The benefits include guidance on developing an overall investment strategy, asset allocation, minimizing taxes, rebalancing portfolios and suitably structuring withdrawals at the time of retirement. In the bigger scheme of things, each of these services can incrementally boost an investor's portfolio returns.

Although the single biggest way a financial advisor can add value is through **behavioural coaching**. Supportive financial advisors can keep investors' fears and emotions in check by providing steady, fact-based advice and reassurance when the markets become volatile.



Global investment advisory firm Morningstar conducted a study, which showed that investors often receive far lower returns compared to the very funds they invest in. The reason being that investors often chase after performances, which can lead to bad investment decisions. In other words, they sell low and buy high. An advisor can prevent such counterproductive behaviours.

THE VALUE OF A FINANCIAL ADVICE

Financial advice encompasses many dimensions. This includes enhancing portfolio value by **building a well diversified portfolio** that generates better after-tax risk-adjusted returns, net of all fees, which is suitably matched to the investor's risk tolerance.

The second dimension is assessing an investor's ability to achieve the desired financial goal, as an investment portfolio does not stand on its own. This is achieved by servicing one or more financial goals, such as retirement, wealth-creating, estate planning, education funding, and cash reserves.

Financial advisors assist in taking the emotion out of financial decisions ensuring financial well-being and/or peace of mind. The value of advice cannot be assessed by purely quantitative measures. It also has a subjective or qualitative aspect based on the investor's emotional relationship with the advisor and his/her savings.

Underlying elements include trust, the investor's own sense of confidence, the investor's perception of success or accomplishment in financial affairs, and the nature of financial handholding in periods of market volatility. In addition, financial advisors offer a range of services related to personal finance, not only investing. These include risk management and fiduciary services, which are aspects of an overall plan often ignored or not updated as circumstances change.

THE ROLE OF BRENTHURST AS AN ADVISOR

Brenthurst is not affiliated to any specific product and/or product supplier or asset manager, which allows us to provide you with truly independent advice. We can select the most suitable products and investment options available from a wide range of investment product suppliers in the market. This ensures that we select the best in terms of service delivery, costs and performance. Furthermore, we aim to minimise the risk associated with investments at specific institutions by investing your money at sound and well-established financial institutions, where you always have control over your capital.

As a result of the standard under which we operate any recommendations we make will match your personal circumstances, will never be for our own benefit or personal compensation and your personal circumstances will be fully analysed at all times.

We regularly meet with industry experts and fund managers, analyse and review our portfolios and attend financial and investment seminars to ensure we are fully informed about the current market environment and all new investment opportunities, in order to provide clients with the best possible advice.

Brenthurst believes that investment advice and devising a financial plan is not a once-off event. It requires continuous advice and management based on thorough knowledge of financial markets and investment products, both locally and offshore.

We commit ourselves to analyse your financial plan on at least an annual basis, and specifically in the event of a change in your personal circumstances, which may influence your financial objectives and needs. However, your portfolio will be actively managed according to changes in both local and international markets, and we will proactively make recommendations for changes to your portfolio as and when necessary.

Brenthurst Wealth takes full responsibility to explain, implement and evaluate our investment proposal to you as well as analyse the same continuously. We will also keep record of all transactions regarding your financial plan.

BRENTHURST CLIENTS WILL RECEIVE THE FOLLOWING ON AN ONGOING BASIS:

- ✓ Regular newsletters on tax, investments, new offerings, personal financial advice and market performance
- ✓ Reviews and statements of your investments.
- ✓ Invitations to Brenthurst's investment seminars.
- ✓ Ongoing management of your investments.
- ✓ Advice on estate planning, drafting of wills, forex services, risk planning and related issues.
- ✓ Tax advice including tax planning, guidance with tax calculations, advice on the tax implications of specific investments and news on the latest tax law developments.

Managing emotions is especially hard during times of extreme market volatility such as the world is experiencing now. The value of engaging an advisor is proven over the long-term. Astute investors understand that daily market changes can have - sometimes dramatic - negative impacts on portfolios and that this is beyond the control of an advisor.

PLEASE DO NOT HESITATE TO CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR OFFICES COUNTRYWIDE. <https://www.bwm.co.za/about-us/>

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SUZEAN is a CERTIFIED FINANCIAL PLANNER® and a registered member of the Financial Planning Institute of South Africa.

She has experience in various aspects of financial planning, focusing on investment and retirement planning as well offshore investments, as she is a qualified Foreign Exchange Consultant for the company. Suzean is based in Cape Town working mainly from the Tygervally branch and is fully qualified to give advice on all investment matters.

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