

GUIDE TO FINANCIAL ADVICE



**WHAT YOU NEED
TO KNOW.**



**QUESTIONS YOU
SHOULD ASK.**



**THINGS YOU NEED TO
WATCH OUT FOR.**

Welcome to the Small Acorn Money Guide to Financial Advice.

I have put together this free guide to help make you aware of the aspects you need to know when obtaining financial advice, the types of things you should look for in a financial adviser and what you should watch out for.

Whilst I feel you should take control of your wealth and be the driving force behind your financial decisions, I appreciate the complex nature of managing your finances means that you sometimes require some professional help.

As a financial coach, I can help you match your money to your life, teach you about your finances and how you can manage your own money, and also point out any concerns that I may have, amongst other things, but I cannot specifically recommend any financial products to you as I'm not regulated by the FCA.

Whilst I have the experience and financial qualifications to do so, I personally feel that by offering my bespoke coaching service, and creating my e-books and digital courses, I can help far more people than the traditional regulated financial advisory approach.

As many of you will have existing financial products that may need some attention, I have therefore put together this guide to help your search for a suitable regulated financial adviser.

I hope you find this guide useful. Feel free to share it with your friends and please don't hesitate to get in touch if you have any questions or suggestions.

Yours Sincerely

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TAKE CONTROL OF YOUR WEALTH

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WHAT'S INCLUDED IN YOUR GUIDE?



SMALL ACORN
MONEY

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CAN YOU MANAGE YOUR MONEY WITHOUT FINANCIAL ADVICE?



In a word yes.

The Internet has made it very easy to manage your own affairs without professional advice. I believe more people will choose this option in the future. Managing your own money can have many advantages.

COST

Professional advice isn't cheap and you could save thousands, even as much as hundreds of thousands in fees, over the course of your life.

IT'S YOUR NEEDS

Only you can truly manage your own money in the way most suitable to you. A good financial adviser will ask a number of questions to get to know you. But it could never be to the level of understanding that you have of your life and needs.

TAKING CONTROL

If you learn to be more aware of your own finances and financial

matters in general, over time, you will develop a greater level of understanding, leading to better financial choices during your life.

A financial adviser ultimately can't protect you from yourself, so taking control is likely to improve the many financial choices you make in your life, most of which are outside the remit of a financial adviser.

IT'S YOUR STRATEGY

There are many ways to invest or speculate with your savings and each person's view is different.

You could visit 10 financial advisers, all of them with the same qualifications, yet each recommendation will not be the same. People form opinions on what are the most suitable investment strategies, as well as reacting differently to events and valuations.

Personally, I would class myself as a long-term investor, with emphasis on the term investment. I am not a fan of the public speculating and I feel many people are speculators, but they think they're investors.

If you take the time to learn about these topics in greater depth, you may find you have very different views to your adviser on how you would like your money to be managed.

For those thinking of learning how to manage their own money, I'm developing a course that will teach you all you need to know. To be kept informed of these developments please visit www.smallacornmoney.com and get in touch.

The rest of this guide outlines the benefits of taking financial advice and lets you know what to expect and what to watch out for.

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WHY DO YOU NEED FINANCIAL ADVICE?

As I've already mentioned, technology has made it easier to manage your own money. Before doing so however, you should consider why a financial adviser could benefit your finances.

TAX

With the tax rules being complex and subject to constant meddling by politicians, it is essential to keep on top of these changes. If you do not legally avoid taxes, you will lose your wealth to the government. The government doesn't do refunds, so if you miss a tax planning opportunity – tough luck.

LEGISLATION

There's also constant change to legislation, affecting what you can do with the financial products you have.

Take pensions for example.

The rules have been meddled with for years now. It is not only the present rules that you need to be aware of, but also how the old rules complement, interact with, or contradict new legislation.

The bureaucrats don't appear capable of taking account of the old rules they made up, when they decide it's time for some new ones!

Keeping abreast of these changes is time consuming and some times a little confusing, even for experienced financial advisers.

It is also mind numbingly dull.

INVESTMENT EXPERTISE

When renovating their homes, some people try to save trade costs through DIY. The majority however, would prefer to utilise the services of a tradesman who has greater skill and experience in these areas.

There will always be someone capable and willing to learn these things for themselves, saving lots of money in the process. But what of all those people who make a complete mess of the work and then have to seek professional help to rectify their own mistakes?

The same is true for your finances, but with one very important point.

Any mistakes you make can be very costly and alter your entire life.

TIME

Some of you will have the ability and temperament to manage your own finances. What you lack is either the time or desire.

Maybe you would prefer to spend it on other activities, such as your own work or business, spending time with your family and enjoying your life.

LACK OF KNOWLEDGE

Finally, a good adviser will know the answers when frankly you won't even know the questions. Here are some simple questions to test you.

Can you answer the following?

- What is a trust and why is it important to write your life policy under trust?
- Could you compare the risk of investing in dividend paying companies, compared with companies who do not?
- Do you know how your health affects the income you'll receive in retirement.
- Do you have an idea of how long you may live and the risks of regularly drawing money from investments?
- Do you know your ETFs from your index trackers? Your bond funds from your absolute return funds?
- Do you know how a change in the Bank of England interest rate effects

how much your mortgage will cost each month?

These and all other financial terms, ideas and techniques are freely available on the Internet from a wide range of sources.

You just need to take the time to learn.

However, it is always worth bearing in mind that a financial adviser has already studied for hundreds of hours to learn their trade, and they are no doubt spending further hours on a weekly basis maintaining, updating and improving upon this knowledge.

This can be utilised for your benefit.

Simply put, a good financial adviser can have a positive impact on your finances and life, which could far outweigh the costs you save by doing it all yourself.

HOW MUCH DOES IT COST?

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Seeking the services of any professional can never be considered cheap. What it can prove is good value for money.

A financial adviser usually provides the first meeting at their own cost, giving you an overview of their service and finding out about you. This will enable each of you the opportunity to decide whether to continue.

The upfront cost of financial advice is usually larger than the ongoing costs. These fees can vary with the complexity and type of work undertaken, but will usually be

many thousands of pounds.

An important point to bear in mind is that some Financial Advisers charge an hourly rate, whilst some charge a fee in percentage terms. Either way, you must be fully aware of all costs in **POUNDS STERLING**.

You must know exactly how much you will pay, both initially and annually, to help you assess the value provided in return for these fees.

I suggest you review the charges on an annual basis, in combination with the services they've provided for you. This will allow you to monitor the value of their service each year.



You may notice I've been quite vague over specific fees. It is hard to provide an idea of the costs as many adviser fees and level of services vary. However here is my attempt.

Initial costs will typically range from as little as 1% to as much as 4% of the invested sum. So the initial fees for a £100,000 investment would be £1,000 – £4,000.

Ongoing fees typically range from 0.5-1% each year. So on top of the initial fee on a £100,000 investment, there will be a fee of £500 – £1,000 each year.

If you pay your fees as a percentage of your investment, they usually increase in line with investment performance. Therefore if your fund increases to £150,000 and your fees are 1%, the costs increase to £1,500 per year.

Protection and Mortgage Advice still work mostly under a commission based model, although some advisers now charge a fee for protection advice and then offset the commission, and many mortgage advisers charge a fee in addition to the commission they receive from a lender.

The way advisers charge is under constant review and so are the amounts, so expect this to change over time.

What is important is that you know the costs in POUNDS and review this each and EVERY year.

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WHAT SHOULD YOU LOOK FOR IN A FINANCIAL ADVISER?

You need two key attributes from your Financial Adviser.

✓ Find an advisor who treats their work as a vocation.

✓ Find an adviser who treats your interests before his or her own.

FINDING AN ADVISER THAT TREATS THEIR PROFESSION AS A VOCATION

This means they have a lifelong dedication to improving their skills.

One method of assessing this is by filtering based upon qualification. A Chartered Financial Planner, Chartered Wealth Manager, or a Certified Financial Planner is the height of academic attainment in providing financial advice.

However a Financial Adviser doesn't have to be qualified to this level. The minimum standard is a holder of a Diploma. There will be many who can provide you with a

valuable service without having higher qualifications.

You may think I would conclude from the above comments that you should seek a financial adviser who has the highest level of qualification?

The answer is not so clear-cut. For example, many of the tax planning rules and techniques learned by Chartered Financial Planners would be irrelevant for most of the population.

Furthermore, higher qualified financial advisers are in short supply with high demand. They therefore tend to be more expensive and may well be either too busy to help you, or you can't afford their minimum investment criteria.

My suggestion would be to speak to a few different financial advisers, find out how much they charge and get a feel for their service.

Take your time before entrusting someone with your finances.

FINDING AN ADVISER THAT PUTS

YOUR INTERESTS BEFORE HIS OR HER OWN

Many financial advisers are very skilled. However, their skill is sales, such as persuading you to take up their service.

They may not have the skill and commitment to provide the level of service and financial expertise promised to you.

Whilst I can generally spot the good from the bad, it is rather difficult as a customer without the benefit of hindsight. I have a few suggestions therefore, which may help you find an adviser that is working in your interest.

Advisers, who seem overly positive about everything they say or tend to agree with everything you say, are not taking an unbiased view of your situation.

A lot of financial planning is basically making a range of assumptions, built upon a foundation of other assumptions. Any adviser that fails to have an in-depth discussion with you about uncertainty and risk is just a salesman.

You must understand that there are no guarantees when it comes to the future.

A good adviser should be willing to tell you that your baby is ugly.

Now I don't mean they will insult your children, but they should be willing to take a view that is different to your own, despite the risk they will not get your custom.

If an adviser is going to agree with everything you say, why exactly are you paying them in the first place? You could save yourself the cost and do it all without their input.

A good adviser could save you thousands of pounds just by preventing your own mistakes. In my experience, investment opportunities that sound attractive are rarely so, and a good financial adviser could help you avoid scams, bubbles, overpriced sectors or markets, and other poor investments for your circumstances.

Financial advisers are moving towards a charging structure that is taken directly from a client.

Presently however, many still charge fees that are dependent upon you making an investment, what I would call a transaction based charging model, rather than an expertise based charging model.

You should therefore remember this saying.

“You don’t ask a barber whether you need a haircut.”

With a transaction-based model, it is human nature to encourage you to take action, when on many occasions the better advice would be to do nothing.

In summary, you need an adviser who:

Acts in a fiduciary capacity on your behalf.

Discusses the different options available.

Educates you about any areas you don’t understand.

Is ultimately on your side.

WHAT SHOULD YOU DO BEFORE CONTACTING AN ADVISER?



There are a number of things you can do that will make the first meeting with your adviser run smoothly.

YOU SHOULD GATHER ALL FINANCIAL RECORDS YOU HAVE.

This means ID, pensions, insurance, investments, income, and tax information. This will help you consider some questions you may have about this information and will ensure the first meeting doesn't involve you going through filing cabinets, drawers or boxes!

TRY TO CONSIDER WHAT IT IS YOU WISH TO ACHIEVE.

Many people approach financial advisers with a vague outline of what they want. For example, I've inherited this money and want to invest it.

That's a good start, yet you should consider the outcome you would be happy or unhappy with. For example, what have you planned for your life and family in the next year,

5 years, 10 years, in retirement, when you pass away.

It's only after considering what you want in your life, will you or a financial adviser, be able to establish a relevant, bespoke and appropriate plan to manage your finances.

Many people struggle to think about themselves and their life in this way. If that is you, you may wish to consider my virtual money coaching service.

*Please visit
Smallacornmoney.com/virtual-money-coach/ for more information.*

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WHAT QUESTIONS SHOULD YOU ASK?

During your meeting you need to undertake some due diligence to ensure that you've found the right adviser. Here is a brief list of some questions you should ask.

WHAT QUALIFICATIONS DO YOU HAVE AND WHAT IS YOUR FCA NUMBER?

The qualifications will give an idea of the skill of an adviser. The FCA number ensures they are authorised to provide advice by the Financial Conduct Authority. Do check this number against the FCA register; unfortunately there are scammers out there who would love to put their grubby hands on your money.

WHAT IS YOUR STATUS? INDEPENDENT OR RESTRICTED?

An independent adviser can recommend products and solutions from the whole market, whilst a restricted adviser only offers a limited number of choices.

There are some good restricted advisers out there, who have good restricted offerings, however in

general, my preference would be to select an unbiased and independent adviser.

Make sure you know what type of adviser you are paying for.

HOW MANY CLIENTS DO YOU PERSONALLY HAVE?

If an adviser is offering you a bespoke and personal service, yet they have more than a few hundred clients, how exactly will they be able to provide the level of service they are promising?

If your adviser has too many clients, you could be disappointed with the service.

Whilst many firms utilise teams to complete all of the work related to your situation, you need to know who is actually doing the work.

Many financial advisers use paraplanners and administrators to help with research and create reports, yet if they are poorly

qualified or inexperienced, your finances are at risk from mistakes that the adviser may not spot.

Personally, if I were paying a financial adviser thousands of pounds to advise me, I would want to know they are actually doing the work.

You are paying a premium price, for a personal service, from a highly knowledgeable professional – please do not accept anything less.

HOW MUCH DO YOU CHARGE?

As I've explained in a previous section you need to know how much a financial adviser is going to charge, both initially and each year, in pounds sterling.

Make sure you keep track of these charges each and every year.

HOW WOULD YOU DESCRIBE YOUR INVESTMENT PROCESS?

Despite financial advisers studying similar qualifications, opinions on suitable investments and structures can differ widely.

Make sure you ask them to explain the 'nuts and bolts' of the investment proposition, so you can understand what exactly you'll be investing in.

A good financial adviser will have an in-depth understanding of where they are investing your money and will be able to explain it simply so that you can understand and decide whether you are comfortable with this approach.

WHERE CAN YOU FIND A FINANCIAL ADVISER?

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I feel the most sensible ways to find a financial adviser would be to ask a few friends or colleagues for a recommendation, but also to search online.

Rather than simply taking the advice of the first person you find, you may wish to shop around a little to get a feel for the different types of advisers and services out there.

Perhaps going to see 3 different advisory firms before committing to any service would be a good idea.

There are a few places you can search online to find a financial adviser or financial planner.

The professional bodies, the Personal Finance Society and the Institute of Financial Planning, both provide customer facing search facilities, which enable you to find members that are local to you.

Here are the links to these websites.

www.thepfs.org/yourmoney/find-an-adviser/

www.financialplanning.org.uk/wayfinder/find-planner

My favourite, admittedly biased, method however, would be to visit www.smallacornmoney.com/financial-advice/ and I can help put you in touch with a financial adviser.

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