



BALANCED INVESTMENT STRATEGIES

FINANCE ♦ BALANCE ♦ LIFE

How do you pay for financial advice?

There have been a number of inquiries recently into the Financial Planning Industry, the Australian Tax System and the Superannuation Industry. The Ripoll Inquiry released its recommendations last November and among them were that Financial Planners have a fiduciary duty to their clients - they must act at all times in the client's best interests.

Like most good Financial Planning firms, I would have thought that this notion was a 'given'. Having run a CPA firm for many years I can't imagine how you would not act in a client's best interest in all matters.

However, those firms working on a commission payment basis really have to think whether they can continue receiving payments in that way when the payment is tied to the product sold. Even if they are acting on the clients wishes, advisers need to be clearly seen to be putting their clients' best interests first. Receiving payment from a product they have recommended doesn't, in my view, meet this criteria.

Fee for Service

Balanced Investment Strategies (BIS) is a fee for service financial advisory firm with its own Australian Financial Services Licence (AFSL). By "Fee for Service" we mean that the "Fee" you are charged relates to the type, complexity and value of the "Service" provided.

At BIS we charge an upfront fee for your original Life Plan strategy and implementation and a yearly 'monitoring fee' to insure your plan is working well and efficiently and meeting your goals. This fee is conveyed to you at our second meeting prior to our commencing a Statement of Advice and requires your acceptance before we move on.

Fees on a "Funds Under Management" basis

Some firms claim they are fee for service when they calculate their fee on the total amount of funds you have invested with them. This may range between 1-2% and decreases on a sliding scale the more you have invested.

I recently read of a Self Managed Super Fund with \$2 million dollars invested paying \$12,000 per annum to their Financial Planner for investment advice. This is only 0.6% when the fee is calculated as a percentage of Funds Under Management, so it sounds low. However, if the investments are passive and the Financial Planner can't point to a high degree of contact and active management of the portfolio, leading to enhanced returns, then the fee would seem excessive and not really a "Fee for Service".

Brian Cosgrove