

Get advice to be more money savvy

02 October 2018: Reports* show that as a millennial investor you have a savvy attitude towards cash and you want to be in-the-know about how to grow your money. The value of advice is the focus this World Financial Planning Week, happening in the first week of October, and World Financial Planning Day on 03 October 2018. There is therefore no better time to get your financial house in order. The big question is, should you see a financial adviser, or go at it solo?

“Good, independent financial advisers (IFAs) play a critical role in helping you make decisions that are right for your circumstances and can help you manage your behaviour for improved investment outcomes,” says Lettie Mzwinila, business development manager at Allan Gray.

However, according to Accenture’s Wealth in the Digital Age Investor survey, only 20% of millennials work with an adviser exclusively, with 57% of millennials suggesting that they don’t trust advisers. The Financial Times Adviser reports that, according to research by the Personal Investment Management and Financial Advice Association, while millennials generally view financial advice as an industry of ‘exclusivity, inaccessibility and high cost’, they also value face-to-face advice.

The cost of free advice

Mzwinila says that there are pitfalls to substituting financial advice from an IFA with the opinions of family and friends. She adds that while investors may be reluctant to pay for advice, there is a far greater cost to not pursuing advice from a qualified source.

“We often think that the best advice comes from those closest to us. With investing it is different. Those closest to you don’t know the detail about your financial circumstances. Remember that anyone can give their opinion, but not everyone is qualified to give financial advice. Using a credible, independent adviser can save you money in the long run, earning their keep time and again.”

She suggests that ‘social’ advice should be used as information gathering. Before making any decisions conduct your own research and seek advice from someone who is qualified and independent. Independent advisers are not incentivised to advise on some products over others, or employed by a product provider to sell their products.

“In addition, there are laws in place that aim to prevent conflicts of interest between IFAs and product providers, which means a higher likelihood that an independent adviser will remain objective and choose the products that are best suited to you.”

When should you see a financial adviser, and when not?

Should you invest locally or offshore? Is an active or passive solution better for you? What product is best? What funds should you choose?

“Choice itself can be a huge barrier. Different products suit different investment objectives – some have tax benefits and others have restrictions that you need to be aware of before committing. It can be overwhelming and time-consuming. An IFA will assist you in working through the options and making choices suitable for your unique situation.

It’s also important to take the time to consider your long-term needs. Do you need to save for your child’s education in addition to saving for retirement?

“An IFA can help you shape all your future commitments into realistic goals. An IFA will also help you to keep on track in uncertain times. Remember the golden rule: if your circumstances don’t change, your plan shouldn’t change.”

Different life events introduce new financial challenges, which may require advice. For example, getting married or divorced, having children, inheriting a large sum of money, or retiring.

“Financial advice is crucial in order to navigate the ‘how do I...?’ questions that inevitably arise during any of these big changes.”

However, if your biggest financial need is paying off debt, it may be premature to seek the services of a financial adviser. “You may wish to rather speak to a debt counsellor. As with financial advisers, not all debt counsellors are alike,” explains Mzwinila. Only counsellors who are qualified and who are registered with the National Credit Regulator (NCR) may offer debt counselling services.

“If you do not feel equipped to make all these decisions on your own, an adviser has the objectivity and experience to help you meet the full range of challenges you might face and help you stay on track,” concludes Mzwinila.

**RBC Wealth Management “Millennials and wealth transfer: a generation poised for responsible wealth transfer”*

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