



# The Benefits of Using an Independent Financial Adviser

Why taking independent financial advice  
makes perfect sense

# Introduction

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**If you are looking for help with your money or for financial advice or financial planning – you will be faced with a number of choices about how to access this advice or help.**

You can possibly use the internet, use a telephone-led service, do-it-yourself or you can engage a financial adviser/financial planner.

There are two reasons why someone may prefer a direct option or a do-it-yourself approach to using a financial adviser:

1. They do not want to pay the costs involved with the financial planning service provided by the financial adviser, believing they will save money by NOT using the services.
2. They think that they can get a better outcome by doing things themselves, for example they may believe that they can achieve higher or better returns on their invested money.

There is a trend in the medical market which suggests that over 80% of people will now seek their first line of help from the internet; before they approach their doctor or other medical practitioner. This sort of trend – where the internet is *the start point* for information and service provision - is now common-place in industries across the whole of the business spectrum.

However, returning to the medical example, although most people now click onto Google *to start with* when they first have a medical concern, the number of people visiting their doctor has not gone down. The professional medical support and advice that can be accessed face to face, in the real world, remains as important as ever.

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**There is real value in seeking out professional advice.**

**The benefit of using a professional and qualified expert is undiminished by the explosion in online information and services.**

**So it is within the financial services market.**

# Why professional advice is important

The requirement for good financial planning support arises from a variety of reasons:

1. Financial matters are often complex.
2. There are often many different ways of tackling a financial requirement.
3. Most financial planning is 'holistic' i.e. what you do in one area of financial planning will affect another (this is the 'hip bone is connected to the thigh bone' idea).
4. The costs of many financial products are sometimes unclear and there can be hidden costs.
5. Making mistakes can be costly, avoiding mistakes is highly beneficial.
6. Regulation is rife: this means that many financial planning steps are covered by regulatory controls, which in turn means you will have a high level of protection if you enter into a financial transaction or take financial advice through certain channels and in certain areas (but note – not in others).
7. Many financial decisions are subjective – for example relying on future (unknown) investment returns to support the value of the decisions or steps taken.

**In overall terms – financial planning is often difficult, convoluted and is easier to handle with an expert involved. It is not something to be taken lightly and is always better for a concentrated approach.**

# Some areas of financial planning are almost impossible to undertake on a DIY basis

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DIY investing is described as a position where an individual makes their own arrangements for themselves.

However, there are many areas of financial planning where advice should always be taken and, in many cases, in reality it is almost impossible to pursue a DIY approach.

For example it would be very difficult for an individual to arrange and map out their own phased retirement plan (if this is their best option) when they come to retire, or for an individual to put in place the right (and best and most appropriate) trust wording to protect their assets from Inheritance Tax. If someone chooses to take out critical illness cover do they know which policies have the best definitions and terms (as this is not a product to judge solely on the premium rate)?

Specialist advice is just that: specialised! And because so much of the financial planning requirement is connected or inter-connected then the advice required (and by definition the steps one needs to take) in one area could knock onto another.

**In this respect good financial advice is often described as holistic.**

# The hidden value of getting good advice?

There is one subtle area of getting advice from a professional adviser which may not - at first - be apparent. Good financial planning involves a large amount of **legwork**. This may not be a word that is often touted by financial advisers as a benefit of their work – however it should be!

Legwork is a way of describing the large amount of research, dissemination of information and paperwork that needs to be done and the time that this requires. To get great financial planning **results** there is a requirement to work with the right information and to keep records and to review matters regularly (which involves keeping up to date with all related matters, many of which change regularly). Your financial planner will do all of this for you.

In terms of the changing landscape and the need to keep on top of matters, a good example, in recent times, is the introduction of AIM listed shares as a permissible investment within an ISA. This changes the options available to investors. A good financial planner can bring this to their client's attention, highlight whether this is a valuable possibility and analyse the new options.

This is why the term 'Financial Planning' may sometimes help describe the process better than 'Financial Advice'. Yes, much of the work involves providing advice on suitable companies, products, plans, funds, on the risk position, on asset allocation, but, in addition, there will be much of the work which is about hard graft and keeping on top of everything that surrounds the advice provided.

# Independent Financial Advice vs. Restricted Advice

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At the heart of the financial planning market lies the Independent Financial Adviser.

The easiest way to describe an Independent Adviser is to state that they are unrestricted in how they can advise you and any adviser that is not independent will be restricted to some degree or extent.

The current regulatory environment has provided a distinct line between advisers that are Independent and those that are Restricted. Using the definition and explanation provided by the Regulator (the Financial Conduct Authority – FCA, see [www.fca.org.uk](http://www.fca.org.uk)):

***The Independent Adviser will provide independent advice and is able to consider and recommend all types of retail investment products that could meet your needs and objectives.***

***Independent advisers will also consider products from all firms across the market, and have to give unbiased and unrestricted advice.***

***A restricted adviser or firm can only recommend certain products, product providers, or both.***

- **The adviser or firm has to clearly explain the nature of the restriction. If you are not sure you should ask for further information, but some examples of restricted advice are where:**
- **The adviser works with one product provider and only considers products that company offers.**
- **The adviser considers products from several – but not all – product providers.**
- **The adviser can recommend one or some types of products, but not all retail investment products.**
- **The adviser has chosen to focus on a particular market, such as pensions, and considers products from all providers within that market.**

***Restricted advisers and firms cannot describe the advice they offer as 'independent'.***

All advisers have to make it very clear to you what status they have.

The importance of this distinction is further highlighted by the Citizen's Advice Bureau ([www.adviceguide.org.uk](http://www.adviceguide.org.uk)) – their web site supports the value of the Independent Adviser over other options you may have.

# The practical and real benefits of Independent Financial Advice

The distinction as set out by the regulations is one thing, but how does this translate into the day to day work and the overall service/advice that you can expect?

To highlight the benefits in this way there are a number of common areas of financial planning that can be shown as examples:

## Appropriate solutions: products, companies, funds

Whatever your current position you will need to use financial 'products' to help you along your financial pathway. These could include pensions, tax wrappers such as ISAs, savings accounts, life assurance products and annuities. These products will be available to you from many different companies (the 'product providers'), they will have costs, they will in many cases have underlying funds that you need to choose, terms and conditions that will apply amongst many other factors.

The best companies for one person may be very different from the best companies for another. An Independent Adviser will be able to match the right products, companies and funds to meet the solutions required by each individual client.

A Restricted Adviser will have to fit their client's requirement into the available (restricted) range of products and solutions they have available.

The best analogy in this regard is to think of tailoring. An Independent Adviser is able to create and manage a bespoke solution for their client, the equivalent of a tailor-made fit; a Restricted Adviser has to offer an 'off-the-peg' solution, they have to find something from their 'railings' even if it is not a perfect fit.

## Asset allocation

Where investment advice is required the most common method of finding the right mix of investments is via an asset allocation model. This is where the investor's requirement is aligned to a carefully selected asset split, which will be married to the investor's risk tolerance.

Over many years considerable research has been undertaken into the best way of constructing portfolios and generating returns within given risk parameters; time after time the results from the research show that *asset allocation is the key determinant of future returns*. The asset allocation decision is the key influencer.

An Independent Financial Adviser can construct an asset allocation approach without any restrictions. As this is generally considered the most important part of the process then it is crucial for investors to know that they can have the right asset allocation for their circumstances; they should not be forced into an asset allocation model which is determined by their adviser's restricted available solutions.

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## Specialised Areas

There are specialised areas of advice where the distinctions between an independent approach and a restricted approach become more apparent than ever.

Take the position where an individual comes up to retirement. They may have a pension fund which needs converting into income. In this instance there may be numerous options: annuities, drawdown, phased retirement options and other products, sometimes known as 'third way' products. It seems logical to state that at this critical point in time, ***all individuals should have all options available to them***. Many restricted advisers (ironically including some of the biggest providers of retirement solutions in the UK) do not have all of these options to offer their clients.

The most important element is to have all avenues open for consideration.

Another example is in the area of tax planning: where individuals are looking to put in place provision against Inheritance Tax (IHT). There are many possible ways of planning to mitigate IHT which can include, for example, the use of allowances, trusts and IHT exempt investments, such as an Enterprise Investment Scheme (EIS). Some restricted advisers will not have access to EIS investments, blocking off one of the better options available.

# Retail Investment Products (RIPs)

The range of Products available for individuals to use in financial planning is largely covered by the list of Retail Investment Products. To be capable of calling oneself an Independent Financial Adviser all available RIPs must be accessible when the adviser is advising their client. It would appear logical that any restriction must limit the benefit to the client, as the restriction may have the effect of taking out one or more Products from the consideration and by consequence it could be that the Product excluded *could* be of benefit to that client.

Naturally, on its own, the independent status does not confer superior advice. However all advisers have to meet certain threshold levels of qualifications (regardless of whether they are independent or restricted) and have to demonstrate appropriate advice to their clients, therefore it is likely that all other things being equal the extra options open to an independent adviser must be of benefit to their client.

# The Whole Package

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As stated early on in this guide: dealing with financial matters can be complicated and can involve a variety of overlapping and possibly competing requirements. There is very limited financial education provided to people through their school years and this leads to a situation where the average person has to learn as they move through their working years and into retirement.

The financial world that exists today is very different to the world that existed twenty years ago. The level of interest rates is different, the costs of financial products are different, the options at retirement are different, the tax schemes available are different, the regulations and financial protection schemes are different. No doubt most of this will be different again in another twenty years.

Getting advice to help with all your requirements in these areas makes good sense. Your adviser, however, will be more than just an adviser, they will be a provider of news and information, they will have access to systems and software and they will be able to help you with much of the paperwork that goes with entering into financial arrangements. Crucially they will be able to help you disseminate information, of which there is a great deal and help you make sense of this.

# Summary

The outcome from the statements above is that the relationship between an adviser and their client is a long way from just being that of an adviser. This is, in fact, just one part of a much bigger package of service and it is this overall aspect of what a good adviser can and should do for you that makes using an adviser a compelling argument.

Once beyond this point then it seems clear that the best advice must be Independent Financial Advice. The advantage of having unrestricted access to all avenues available and all Retail Investment Products is considerable.

## About Penguin Wealth

### Our Mission Statement:

The (Financial) Journey Never Ends.....One Life, Live it Well.

### Plan - What's Your Number?

Life is precious, living it well does not come from having lots of money, it comes from contentment, family, friendships, giving and giving back, good health and achieving success (which is defined in different terms for different people). Money or wealth is simply the means to the end.

We build a Plan, individual to you, linking your goals, your values and your finances together.

### Perform - One Life, Live it Well

Implementing and Maintaining the Plan is vital. This includes taking on the responsibility of looking after your requirements day in, day out.

For someone in business this frees up your time to focus on your business, for those of you with family, it allows you to enjoy time with your family, for those wanting to pursue ambitions and passions, you can be free to spend your time on what you love doing.

### Protect - We are the 2<sup>nd</sup> most important professional you will need

We help you cover all eventualities by protecting you from life's curve balls – keeping you on track to fulfil your goals and dreams, no matter what happens.

Your planning is only complete when you have ensured that the unexpected is catered for.

### Plan – Perform - Protect

Mapping out the future to meet your widest life goals is all about taking the right steps *now*, making sure your plan is managed through the years that follow and that all your plans have an inbuilt protection for you, your family and your business. It is about integration and the best support, at all stages, from the best specialists.

We help you achieve all of the above via a mixture of:

- Financial Forecasting (cashflow for your personal life)
- Saving Tax
- Maximising returns on capital
- Managing all your risks for and with you
- Reviewing your plans and goals
- Working alongside your other professionals
- Supporting your Family Unit

Penguin is a Cardiff based Financial Planning firm that was formed in 2010. Our principles are reflected by our processes, our support team and the accreditations that we have achieved – all of which ensure that we are best placed to help you live the life you deserve.

We were the first firm in the UK to become CISI Accredited, CII Chartered and BS8577 Certified, showing that we “demonstrate the highest professional standards of financial planning service and advice”, “our clients are at the heart of our business” and that we ensure our staff members acquire and retain the necessary knowledge and skills to deliver the highest quality advice”.

For further information about Penguin Wealth and to meet the team please visit our website [www.penguinwealth.com/team](http://www.penguinwealth.com/team).

# Penguin



Plan - Perform - Protect

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