

MEDIA RELEASE

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What is the Value of Good Advice

For quite some time now there have been many academics and practitioners alike attempting to answer the question of how practitioners put a price on what they do for their clients. Whether this is for advice or the ongoing service they offer. It has been debated nationally and internationally and while there are no surprises to those involved in the financial advice profession, the marketplace has not come up with the ideal measure.

Good advice in Financial Services comes in many forms. It can be a recommendation around whether or not to join KiwiSaver or answering a question about what type of insurance an individual may need. Advice can be determining what mix of assets is best suited to a client's needs or structuring a client's financial affairs so they gain a desired succession outcome post death.

The point here really is that very few situations are the same. Financial literacy levels in New Zealand are such that often a professional adviser's time is spent educating clients as to what their options are so that they can make informed decisions. There is immense value in this.

IFA President Nigel Tate says 'Clients deal with advisers because they want to be "advised" and they want professional guidance as to the appropriate course to follow'.

Clearly there are various means with which to determine a fee. If we look at some of the factors that influence the cost of legal advice, for example, they range from time spent with or working for the client, the level of urgency accorded to the work by the client and the value or benefits gained by the client along with several other factors. The point to note is that these are ultimately determined in concert with the client.

IFA maintains the view that valuing the services provided to any client is ultimately based upon the value the client feels appropriate for them. This includes the work done by the adviser and whatever else is agreed between the client and their adviser. IFA does not mandate any pricing methodology. Rather, it supports the professional obligation on the adviser to clearly disclose their fees to the client and to adhere to what is jointly agreed between the client and their adviser.

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For more information please contact:

Penny Mudford
IFA Chief Executive
M 027 777 3271 E ce@ifa.org.nz

Institute of Financial Advisers
Level 6, Technology One House
86 Victoria Street, Wellington 6011
www.ifa.org.nz