

How to ^{Take} separate ^{IFPMS} the fresh from foul

TAILA KRISHNAKUMAR gathers some tips on picking the right financial adviser

As an investor, you value comprehensive financial advice based on your needs and wants rather than the commission an adviser will gain from "peddling and pushing" a product — a practice sometimes associated with large financial companies and banks.

This has led many to consult the nascent but buzzing financial advisory industry.

With the Financial Advisers Act (FAA) taking effect in 2002 and advisers gaining licences to provide more independent advice, the choices for investors are increasing as more and more companies emerge.

So how do you decide which financial adviser (FA) is best for you?

The Monetary Authority of Singapore says one of the safest ways is to look at its regulated list of financial advisers, created under the Financial Adviser's Act to oversee the fledgling industry.

MAS recently put out an advisory based on its Money Sense Initiative, telling investors what to look out for when dealing with a financial adviser.

By using this guide, consumers have the added security of knowing that MAS has licensed these firms, with requirements aimed at protecting consumers' interests and standardising the industry.

MAS says: "The FAA sets minimum entry and examination requirements for all representatives intending to provide financial advisory services. FAs and their representatives must have a reasonable basis for the recommendations that they make."

Adviser, planner or analyst

Take note of definitions. Only licensed firms can use the term "financial adviser". MAS does not regulate such titles as "planner", "analyst" and "consultant". The best way to find out whether an adviser is regulated is to look at the list on the MAS website.

By definition, an FA is deemed "independent" in this list by having shown they have no financial or commercial link with product providers that could affect recommendations to consumers.

MAS wants consumers to be able to distinguish between those advisers linked to product and product providers and those that engage purely in advisory work.

Once you have used the MAS list to help decide which adviser to consult, there are a few things to look out for when consulting the adviser to make sure you are getting sound advice.

MAS requires all FAs regulated by it to disclose material information about products advised, including risks of the product, the FA's status and the fees and charges to be paid by you.

Assuming you provide complete and accurate information, you can expect a financial adviser to carry out some standard procedures when consulted. After determining your risk appetite, an FA must coherently use information provided by you to recommend a suitable product and explain why it will satisfy your investment objectives and risk profile.

Take time to understand why the FA has selected certain products for you, and how their returns and time horizon suit your investment ob-



A lesson in selection: the MAS has licensed a number of financial advisory firms, with requirements aimed at protecting consumers' interests and standardising the industry.

jectives. Use the information highlighted in documents, together with the FA's advice, to see how and why a product has been prescribed for you.

An FA must also disclose key features of the product, as guided by MAS in the case of unit trusts and life insurance policies.

When dealing with unit trusts and life insurance policies, FAs should provide certain documents that you should thoroughly review. For example, in the case of unit trusts, a prospectus or file statement must be available. And for life insurance policies, a product summary and benefit illustration must be included.

Never hesitate to question, says MAS. "Read the documents carefully, including the fine print."

While you can ensure the company providing the product is transparent, your active role in scrutinising the information is crucial to understanding how it suits your risk profile.

FAs may have to explain the logic behind their recommendations, but your own common sense mitigates the risk of you succumbing to faulty promises and guarantees of high returns.

Another disclosure required and highlighted by MAS concerns fees and commissions. It is important to determine how an FA will charge — at the outset.

This is required in writing. Use this information wisely and see how it correlates with the products the FA is encouraging you to invest in.

For further tips and resources on receiving solid financial advice, consult the MAS website at www.mas.gov.sg/consumer. A wealth of information is available on how to deal with related matters, including how long one has to change their mind with investment products, what to do if receiving unsolicited calls to purchase products and reporting matters concerning unlicensed FAs.

Look before you leap

Guide to dealing with financial advisers

1. Deal only with financial advisers (FAs) regulated by the MAS

■ Visit www.mas.gov.sg for a list

2. Engage an FA with proper qualifications and experience

■ Find out as much as you can about the firm. Do not appoint an FA solely because of the wide range of products on offer or the company's independent status.

3. Make sure you ask for documentation and keep all your documents safely

■ Before dealing with an FA, ask him to provide you in writing with the name of his FA firm and the type of financial advisory service he is authorised to provide.

4. When in doubt, always seek clarification and ask for more information

■ Never sign on blank forms without understanding what you are signing. Do not release your identity card to someone you do not know or without first clarifying why it is needed.

5. Make sure that you understand what is guaranteed and what is not

■ Insist on written confirmation from your FA on any guaranteed returns or benefits.

Source: MAS