NEWSLETTER

Is your financial planner really working for you?

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In the scramble to secure property services and additional income, some financial planners might misunderstand or ignore their client responsibilities. It's imperative to know the questions to ask your planner to find out if they're working for you or the money.

From July 1, 2013, financial planners will be required to support self-directed clients - those who know what they want to invest in before their consultation - with good quality property investment advice. If they don't have specific qualifications or expertise in this area, they'll be required to refer the client to a suitable expert or send them away.

This change in the foundation of their business funding and high professional indemnity insurance premiums will probably rationalise the sector considerably. It's anticipated many will seek easier business conditions in sectors such as property investment. The concern with this is they don't understand real estate law to be able to support their client's best interests when offering referrals to their property networks.

If they refer their client to a real estate agent, marketing group or unqualified 'property investment adviser' who sells the property, they're referring to a sellers' agent under real estate law. Our laws safeguard representation for each party in a business transaction and sellers' agents can't concurrently act for both parties, let alone claim to represent a buyer's best interests.

If the financial planner or their related entity takes commissions or referral fees, this is substantial evidence that they're acting for the seller and not their client. Even if they disclose those fees to their client, the planner is still seen to be operating in the real estate arena themselves and will need further real estate qualifications to do so.

Property investors seeking more professional services need to be aware of these practices and do their own due diligence to establish which side of the equation the 'advice' is coming from, and how this might (or might not) suit their needs.

Tips to ensure your planner is acting in your best interest:

- Check what fees and commissions are paid to all their business entities. Professional business standards call for transparency on fees and commissions and in some states such as New South Wales it's mandatory.
- Check who is paying them and the nature of that agreement. If it's a real estate agreement between the developer and the listing agent and your 'adviser' is taking money from this business, then they're acting for the seller and not you in the eyes of the law. As a result they have no responsibility for your best interests throughout this transaction.
- Real estate agents hold professional indemnity insurance only. This is to support the sale of property between two unknown parties only and doesn't include any additional services, including property investment advice.
- If you're still unsure of what you're being told, get them to put it in writing clearly explaining it to you. If they're unwilling to do so, that answers your question.

Creating wealth to support your future is vital to gaining financial independence. Property is a key asset as its value grows with inflation maintaining the spending power of your money. Finding services that support you getting it right the first time is essential to ensure that you maximise your returns.

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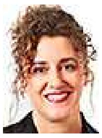

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