

Confused? You should be

Paul Alker, chartered wealth manager, Vantage, provides a comprehensive guide to the range of professionals available to help manage your wealth

WHAT are the options open to you if you want someone to help you out with your money? If you need advice on investing, pensions or life assurance? And how much should you pay for this advice?

It is hardly surprising that there is a well-known dotcom financial services business with the same word as the beginning of the title above.

Should you go to a stockbroker, an independent financial adviser (IFA), a banker, a discretionary fund manager or perhaps a wealth manager? And what exactly is it that all those different people do? My guess is that the vast majority of people are not that sure. If this resonates, then this article is for you.

I suspect that part of the problem is that

there is so much noise out there in the media and the terms are endlessly misused or mixed up. Not to mention the different array of qualifications that people now possess.

Let me start by distinguishing some clear differences; Financial advisers advise, some are tied to banks or investment management houses and some are classified as independent or whole of market. Advisers should be able to provide advice on a wide range of services, such as pensions, investments and life assurance, although many of the larger institutions may only offer restricted advice with a limited product range.

It was arguable that, until recently, so called 'independent' advice was not as independent as one would have thought, with

remuneration (commissions) coming from the product providers rather than a transparent fee charged directly by the adviser. This meant that an IFA could have a bias to the product that gave the best financial outcome to them rather than the client.

The good news is that with the recent advent of RDR in the UK and the Review of Financial Advice (RFA) here in Jersey, advisers are no longer allowed to be paid commissions from the product or service provider and subsequently will now have to charge for the advice provided and work undertaken.

A stockbroker also advises, about the buying and selling of stocks, or provides the facility for those who wish to trade in their own right.

A discretionary portfolio or fund manager is a different thing altogether and the clue is in the word discretion. You only make the one decision to give them your money and then they manage as they see fit within the parameters you set them. You will find discretionary portfolio services linked to stockbrokers, investment houses and banks.

'But how do you know you are with the right manager, the right portfolio and more importantly are you being charged fairly?'

A number of discretionary managers will only take on clients subject to a minimum size of investment and will typically charge on a percentage of the assets that they are managing.

But how do you know you are with the right manager, the right portfolio and more importantly are you being charged fairly? This is where suitability of advice is at the crux of any financial planning decision and in my opinion an independent approach is therefore needed.

As independent wealth advisers, Vantage operate on a whole of market approach and undertake a full review of our customers' financial situation, together with an in-depth risk profiling process (not one where you merely have the choice of three or five investment models ranging from cautious, balanced and aggressive). This service is bespoke to each client depending on their interpretation of risk, the potential impact of losing assets, as well as the expectations of investment returns to meet specific objectives in the future.

As we are based in an international finance centre with a highly regarded fiduciary services industry, we also assist trustees in the selection of investment managers and have developed a new suitability review service

that we have called 'APTA'.

As with all clients, 'APTA' encompasses our comprehensive six-stage process to provide the most appropriate recommendations. This includes objective setting, understanding attitude to risk, agreeing appropriate allocations, deciding which strategy to use, how the investment is to be placed and then agreeing the timing for regular reviews.

This service assists trustees who have a fiduciary duty to ensure that all investments are suitable and regularly reviewed. The added benefit being that we are independent and therefore will not be biased to in-house solutions.

Fees

The subject of charges is also a thorny issue to discuss with investment managers and how do you know that you are getting value for money? We will undertake a review of the different managers, and as well as looking at how they have performed we look very carefully at their total expense ratios (TER). You may often be quoted a discretionary management fee but there could be a number of levels of charging under the bonnet such as trading fees, the fees of the underlying funds being used, custody or platform fee.

Passive versus active?

Linked to the subject of fees is the perennial debate between the use of passive investments that track the market and are a very cost effective way to invest, versus the actively managed approach. With the exception of some notable names most active funds tend to underperform the market and there is therefore a growing school of thought that the passive route may be better for some investors. There are many reasons for and against and this would also be included in our discussions.

Does your adviser have 'Chartered' status?

Finally we mentioned what qualifications you should be looking for in your adviser and another requirement under RFA is for your adviser to be suitably qualified. The minimum requirement is an 'Ofqual* level 4' qualification, but Vantage see the minimum professional benchmark being 'Ofqual level 6'. It would therefore be an important question to ask of your adviser to understand whether they take their profession seriously and have given the appropriate commitment to study for the benefit of their clients.

Vantage have recently launched a wealth advisory service for private and corporate clients. Please contact Andrew du Val on 01534 706527 or Paul Alker on 01534 706522 should you wish to understand more about this service.

● Ofqual is a UK government agency that provides guidance on the qualification levels. More information can be found on their website: www.ofqual.gov.uk/help-and-advice/comparing-qualifications/



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