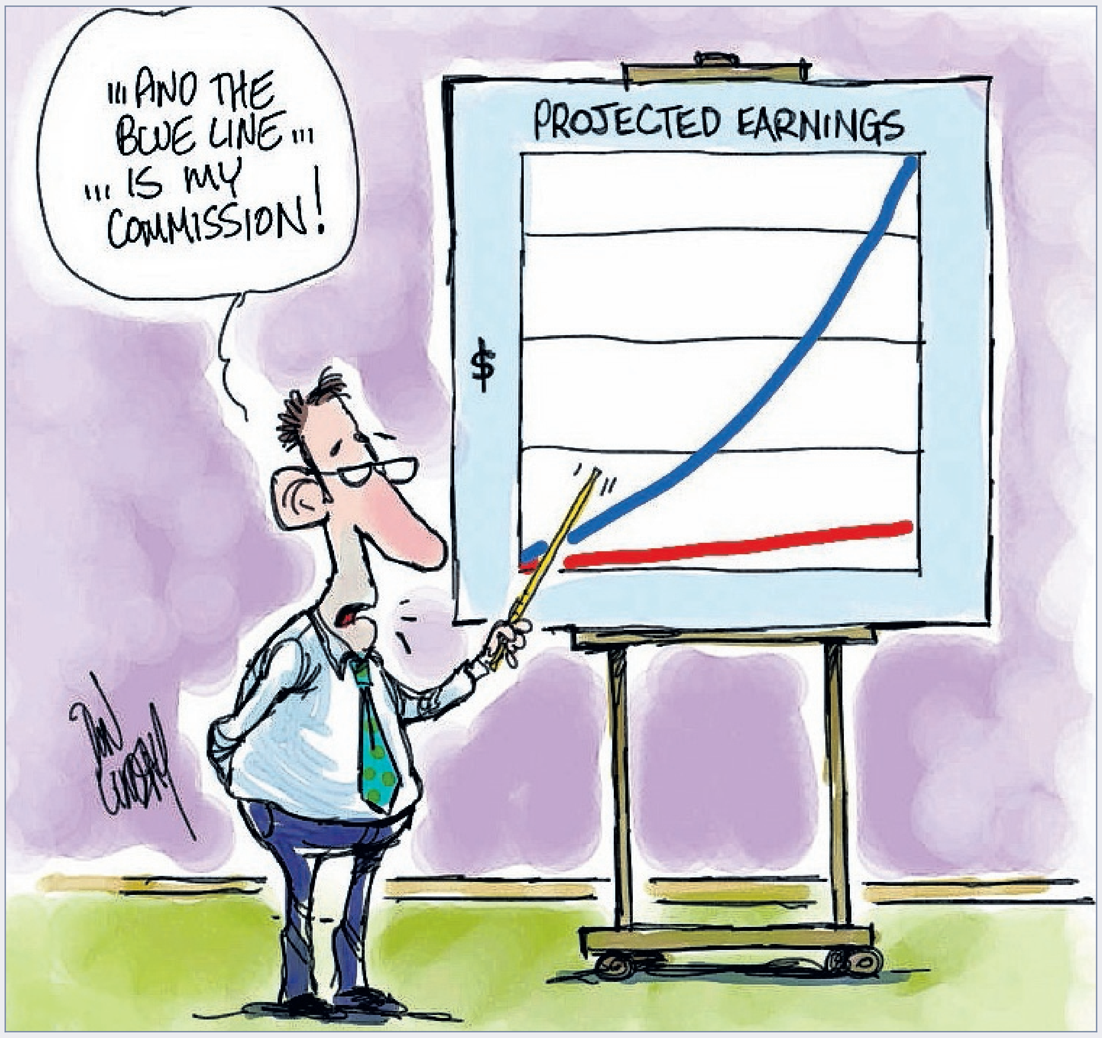
Show me the money



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The expression "trailing fees" has been dragged through the mud of late but don't be paranoid if your adviser receives them. These are the fees that a planner receives from the business offering the financial products (such as managed funds or insurance) that you are signing up for. It's exactly how a mortgage broker works. They go out and find the best deal for you and you don't pay for their services because they get a clip from the bank they are taking the mortgage with. It is a completely acceptable way of doing business, as long as the advice you are getting is not influenced by the possibility of or size of the commission. And make sure the clip isn't too big. Anything more than 2 per cent should ring alarm bells. Depending on the complexity, a full financial plan can cost between $3000 and $5000, and possibly much more. If you don't want to pay upfront, then the trailing fee structure is a viable option. However, in some cases the best financial advice won't involve investment products. For example, for many young families, the best advice might be to pay off debts, prepare a will and take out life insurance. Usually the cheapest option is through the employer superannuation fund. In this instance, a planner who only collects commissions may provide biased advice. If you don't like the trailing fee method then find a planner that is happy to charge either a flat fee or by the hour. Be aware that on top of these fees they may still get the clip from the companies behind the products you are signing up for.

Is there someone else?

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Ask them how many clients they have, do they themselves prepare the plans and will they be your ongoing adviser. Proper financial planning requires continuing reviews. A review involves meetings to report on performance, re-examination of objectives, consideration of any legislative changes and to ascertain the appropriateness of the original strategies.

This takes time and if the adviser has thousands of clients, he or she is unlikely to be able to provide such a service. Some advisers will contract out planning work to third parties who prepare plans based on the data collection prepared by the adviser. Users of this approach argue that this ensures the plan is legally compliant and is "up to date", but opponents maintain that such plans tend to be "generic" and usually don't fully deal with the client's needs in all areas.

Proof in black and white

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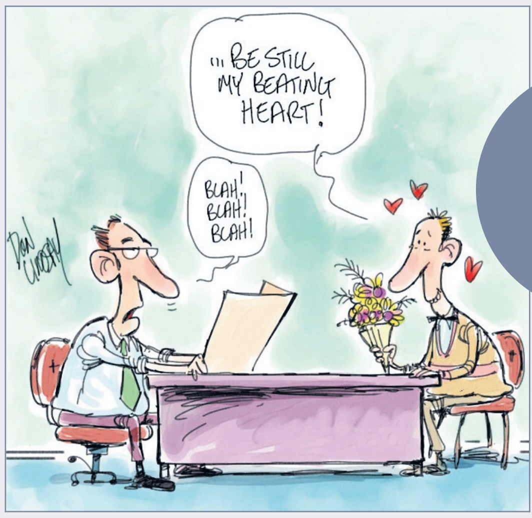
Ask to see a sample plan prepared by the planner. A comprehensive financial plan will run to many pages and should contain discussion about areas such as your objectives, cash-flow, investments, insurances, estate planning and taxation. Rather than simply generic information, it should analyse your specific situation in these areas and, where deficient, provide strategies which set out the pros and cons in an objective way. Needless to say, the plan must include detailed information about the costs of implementing and maintaining the strategies and if applicable, the costs of changing investments.



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Feel the love

This is always overlooked. You will always look at the fees a GP charges you but will likely be willing to pay a premium over the bulk-bill rate if you have a connection with the person across the desk. If you feel comfortable with a potential adviser, if they come across as genuine, answer your questions in a straightforward manner and are upfront about how they get paid, then trust your gut. If you are at an age where you feel you need a planner then chances are you won't be in your teens or early 20s. You have probably been around and can sense when something is off. If the planner provides a good service he or she will be with you, offering advice, at critical parts of your life. They will see the good, bad and ugly sides of your life as birth, death, marriage and divorce change the financial needs of your family.